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Peggy Noonan on President Obama's amateurism

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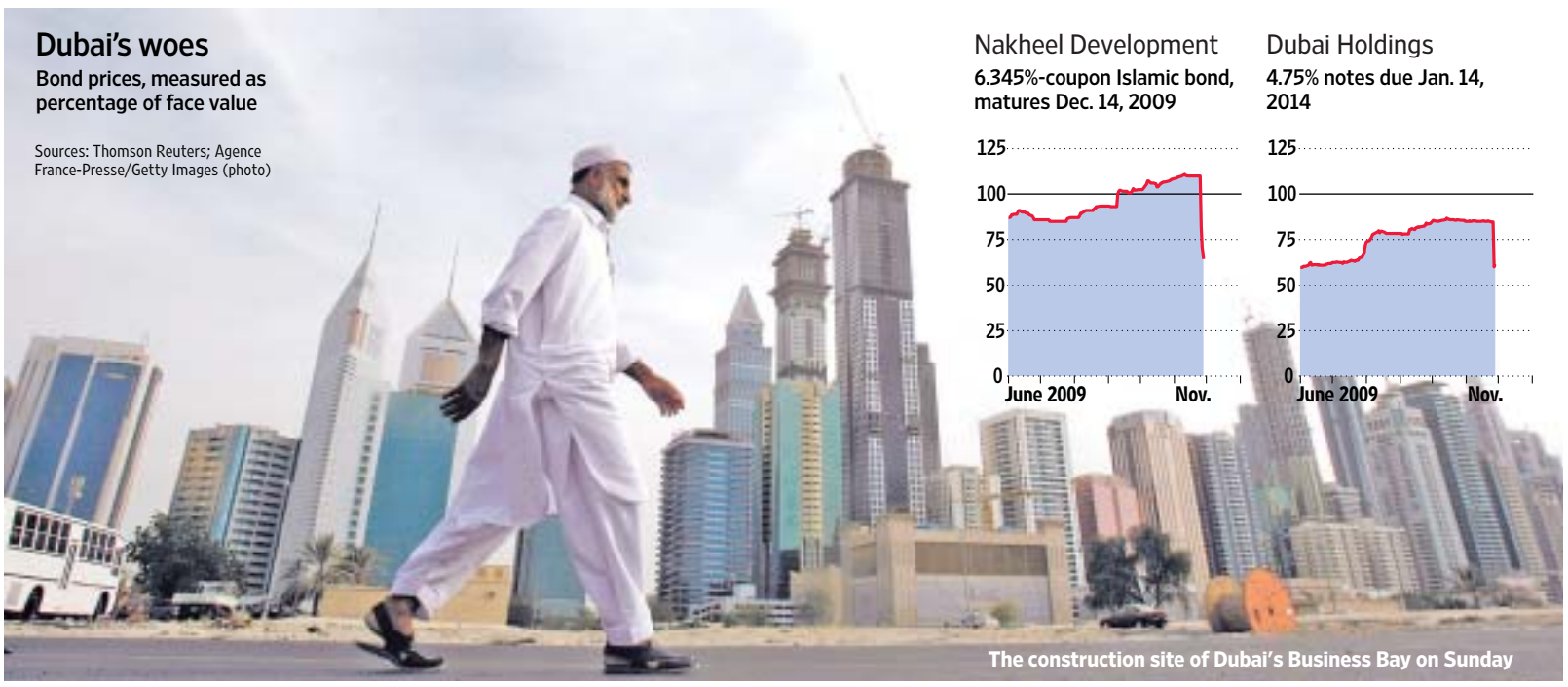


U.A.E. central bank intervenes

By Chip Cummins And Andrew Critchlow

DUBAI—The United Arab Emirates central bank said Sunday it is offering an additional liquidity facility to local and international banks in the U.A.E and stressed that it "stands behind" the lenders.

On Wednesday, Dubai said it would seek to delay debt payments of its flagship company, Dubai World, spurring an initial swoon in global markets last week. The federal government in Abu Dhabi, which bailed out Dubai to the tune of $10 billion earlier this year, hasn't indicated fresh support, shocking investors.

The central bank's move appeared aimed at reassuring investors before Monday, when banks and stock markets reopen after a long Muslim holiday. But the statement pointedly didn't mention Dubai.

The central bank said in an emailed statement that it had issued a notice to banks "making available to them a special additional liquidity facility linked to their current accounts at the central bank, at the rate of 50 basis points [or half a percentage point] above the three months Eibor," or the Emirates interbank offered rate.

■ Dubai jitters infect debt of sovereign spendthrifts 22
■ The far-reaching impact on emerging markets 30
■ Debt concerns could revive dollar 32
■ Heard on the Street 38

The central bank didn't specify the size or value of the facility. It added that the U.A.E. banking system "is more sound and solid than a year ago."

According to people familiar with the situation, federal officials, bond holders and even executives who had worked for months with Dubai and **Dubai World** officials on their financial woes hadn't been warned ahead of time about the standstill announcement last week.

"Nobody checked anything with anyone," according to one of these people.

The scramble has fanned speculation of tension between the local governments of the two city-states. Abu Dhabi and Dubai are two of seven semi-autonomous emirates that make up the U.A.E. The capital is based in oil-rich Abu Dhabi, reflecting the emirate's outsized wealth and power in the federation.

Officials in both places have repeatedly denied any rift and say discussions over financial support for Dubai have always been conducted between Dubai and federal institutions, such as the central bank and finance ministries.

But Dubai's action hammered Abu Dhabi's banks and government-controlled corporations. Investors punished Dubai bonds after the standstill announcement, but they also sold down those of Abu Dhabi, which in recent

Please turn to page 22

China talks with the EU about yuan

By James T. Areddy

NANJING, China—European finance officials relayed to China's premier and central-bank governor frustration over the Chinese currency's rigid exchange rate at talks on Sunday, but said they didn't expect a change in policy soon.

"We were explaining that it is difficult to convince our general public that the fastest-growing country in the world...is depreciating," Jean-Claude Juncker of Luxembourg, chairman of the group of euro-zone finance ministers, told reporters at the start of a two-day European Union-China meeting.

"I can't say I'm more optimistic than I was before coming here," Mr. Juncker added later.

The Chinese yuan is tightly linked to the dollar, not the euro. As the dollar has declined against the euro, the yuan has fallen with it, making Chinese goods cheaper in Europe and European goods more expensive in China.

The yuan has emerged as the focus of wider frustrations roiling Europe's relations with China. There are political concerns that the euro's strength against the yuan is undermining economic recovery in the euro area, where unemployment remains stub-

Please turn to page 12

Chinese state firms cling to cash

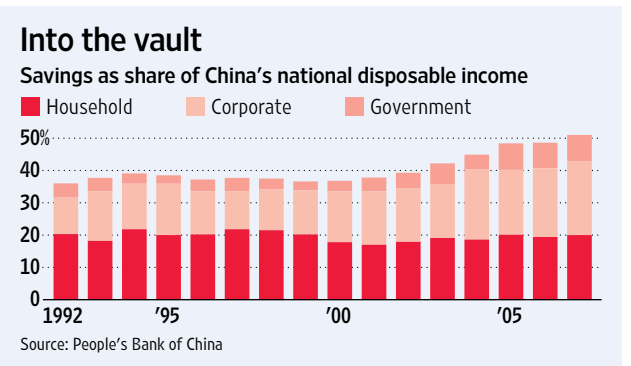
By Andrew Batson

BEIJING—Getting China to spend rather than save turns out to be harder than it sounds.

The nation collectively socks away over half its income, an extraordinarily high rate. By comparison, the average for developed countries is about 21%. Putting more of China's money to work would provide a big boost to the global economy, especially with U.S. consumer spending now constrained by high unemployment and debts.

THE OUTLOOK

China's high savings show up all over the place: they're piling up not just in household bank accounts, but also in company vaults. Those corporate savings—basically, profits that haven't been invested or returned to shareholders—have boomed. On central bank estimates, they rose to 23% of national income in 2007 from 12% a decade earlier. Household savings have stayed at around 20% of income during the same period.



The financial strains that push Chinese households to save can be addressed by expanded health care and lower education costs. But high corporate savings are a trickier problem. Much of that money comes from China's resurgent state enterprises, now hugely profitable and dominant in key industries.

Taking money away from those powerful state firms and shifting it to consumers would be good economics, many observers think—and seemingly in line with the socialist principles of China's government. But such changes are politically difficult: they threaten the interests of enormous corporations and perhaps even the ideas driving China's hybrid command-market economy.

"On the surface, it's a technical question. But in reality, it's a very political question," said Liu Jipeng, a professor at the China University of Political Science and Law. China's large state sector helped it bounce back more quickly from the financial crisis than Western countries, he argues, so the government should be strengthening state firms, not

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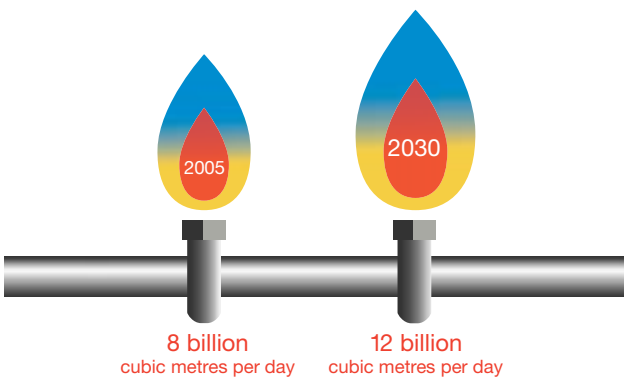
– fuel for thought –



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PAGE TWO

What's News—

* * *

Business & Finance

■ **China launched a new body** to centralize settlement and clearing of financial products traded among the country's banks, in a move that could bolster confidence in China's derivatives markets and open the way for the regulators to approve new products. The U.S. and EU also have been trying to centralize trading of some derivatives. **3**

■ **China said** it will keep policies to support growth in place through 2010, despite concerns about the effects of more powerful stimulus on the economy. **3**

■ **Financial stocks** have been the place to be during the U.S. stock market's rebound. But that bet looks easy compared with what interest rates could unleash if they start rising next year. **23**

■ **GM's Saab unit said** it has received expressions of interest from potential buyers since last week's collapse of a deal to sell the brand to Koenigsegg. **23**

■ **Three investment firms** are joining Sina's management to invest $180 million in the company in a bid to reinvigorate China's largest Internet portal. **28**

■ **China sold** its first 50-year government bond, a move that expands its domestic debt market and places the country in a small league of nations that have issued ultra-long sovereign debt. **28**

■ **Japan's finance minister** escalated his rhetoric against the yen's surge, calling it "one-sided" and threatening to intervene if the rapid ascent continues. **28**

■ **Shoppers in the U.S.** spent only slightly more money in stores this Black Friday than they did last year, preliminary data showed. **24**

■ **San Miguel's retirement fund** sold a 28% stake in the company to a group of friendly investors known as Top Frontier Investment Holdings for $1.37 billion. **25**

ITAR-TASS via Newscom

Russian officials blamed terrorists for the train wreck that killed at least 25 people Friday. On Sunday, relatives identified victims and at least 85 people were being treated in the hospital, as memorial services were held across the country.

■ **Lenovo said it plans** to buy back a mobile handset maker founded by the Chinese personal computer maker in 2002 for $200 million in cash and shares. **25**

■ **China's Geely said** it reached a deal with Ford on intellectual-property rights in its bid for the U.S. company's Volvo unit. **26**

■ **Renault agreed** with Russia to put jointly about $3 billion into auto manufacturer AvtoVAZ, as the French maker tries to salvage an investment that turned sour. **26**

■ **PetroChina and Shell** have started China's first joint development project in shale gas, in a bid to find alternative resources for the cleaner-burning fuel to meet the nation's rising demand. **25**

■ **The quality of Huawei's** technology has become a key selling point for the Chinese network equipment vendor, industry watchers say. **27**

■ **India's Tata Motors swung** to a consolidated net profit for its second quarter as it sold more vehicles and cut costs. **26**

* * *

World-Wide

■ **Pakistan's President Zardari** is under increasing pressure to step down or to relinquish most of his sweeping powers immediately. **4**

■ **The Iranian government** approved a plan to build 10 new uranium-enrichment facilities, a dramatic expansion in defiance of U.N. demands that it halt the program. **9**

■ **The EU Commission's** president nominated a new antitrust chief and trade commissioner. **9**

■ **A Zimbabwe cargo plane** that crashed in Shanghai and killed three American crew members wasn't carrying sensitive goods, a top Avient executive said. **6**

■ **China signaled** that it is unlikely to take further major steps on emissions unless other nations pay for them. **4**

■ **South Korean President Lee's** decision not to split the national government is facing a backlash from lawmakers in both liberal and conservative parties. **6**

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China's bureaucracy is unhealthy, bloated, irritated and basically substandard, a study says.

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WORLD NEWS

China sets up interbank clearinghouse

By Denis McMahon

SHANGHAI—China launched a new body to centralize settlement and clearing of financial products traded among the country's banks, in a move that could bolster confidence in China's derivatives markets and open the way for the regulators to approve new products.

The move, announced by the central bank over the weekend, comes as the U.S. and the European Union have also been trying to centralize trading of some derivatives in their markets, to prevent markets seizing up if a key player defaults as they did when Lehman Brothers filed for bankruptcy last year. A central clearing body removes some of the risk that counterparties won't deliver and makes the overall market situation more transparent to regulators.

China's strict capital controls meant its markets weren't directly affected by last year's financial turmoil. But the financial crisis greatly shook the trust that Chinese banks had in their foreign counterparts, and China's largest lenders even now decline to trade key products with the local units of most foreign banks.

That has increased the expense and reduced the liquidity in China's interest-rate and foreign-exchange swaps markets. Those are the country's two main financial derivative products and key tools for companies trying to manage their foreign-exchange and credit risks.

By inserting itself between counterparties trading those products, a central clearinghouse would assume the risk that either party might default, and take insurance against that happening by collecting collateral from each party.

Bloomberg News

People's Bank of China Governor Zhou Xiaochuan says the clearinghouse will raise the transparency of the interbank market.

There are few details as to how the new clearinghouse will actually work. In a statement posted on its Web site Saturday, the People's Bank of China said the Shanghai-based clearinghouse will clear local- and foreign-currency financial markets, but didn't specify which markets it will start with or when.

The clearinghouse will "raise the transparency of the interbank market...better guard against systemic risk, and maintain the stability of the financial system," People's Bank of China Governor Zhou Xiaochuan said in a separate statement. Mr. Zhou said it also will reduce settlement costs and "provide the necessary technical support for financial products innovation."

That may signal that regulators feel the new clearinghouse will give them better ability to handle more volatile and heavily traded markets. So far China has been slow to introduce new financial products, with their reservations about derivatives reinforced by the financial crisis.

One possible concern is the lack of experience any Chinese government institution has in calculating risk and assessing appropriate levels of collateral to collect, given the huge amount of risk that clearing centralizes in one organization.

The central-bank statement said the clearinghouse has signed a cooperation agreement with **Deutsche Börse**, which owns Clearstream and jointly operates Eurex, a derivatives trading platform.

In June, China's foreign-exchange trading platform, the China Foreign Exchange Trade System & National Interbank Funding Center, launched central counterparty clearing for the foreign-exchange spot market. The move was somewhat unusual by global standards, because the two-day settlement period for foreign-exchange deals in China diminishes the risk of default. Market watchers said the move was likely to build experience to help guard against default in markets with longer maturities.

The foreign-exchange trading center is one of the six government agencies backing the new clearinghouse. It will have 300 million yuan ($43.9 million) of registered capital, the central bank said.

Beijing's stimulus to stay through 2010

By Andrew Batson

BEIJING—China's top leadership said it will keep policies to support growth in place through 2010, despite concerns about the effects of more powerful stimulus on the world's fastest-growing major economy.

The ruling Politburo of China's Communist Party met Friday to discuss economic policy for next year, and decided it will "maintain the continuity and stability of economic policies, and continue to implement the proactive fiscal policy and loose monetary policy," according to a statement carried by China Central Television, the state broadcaster.

That is the same language the government has used to describe its stimulus efforts this year, which have resulted in bank lending and capital expenditure increasing by more than 30%. The Politburo, comprised of the Communist Party's 25 most powerful officials, also said it will "focus more on improving the quality and efficiency of economic growth," and promised more policies to support consumer spending and support investment by private-sector companies. (See related article on page 28.)

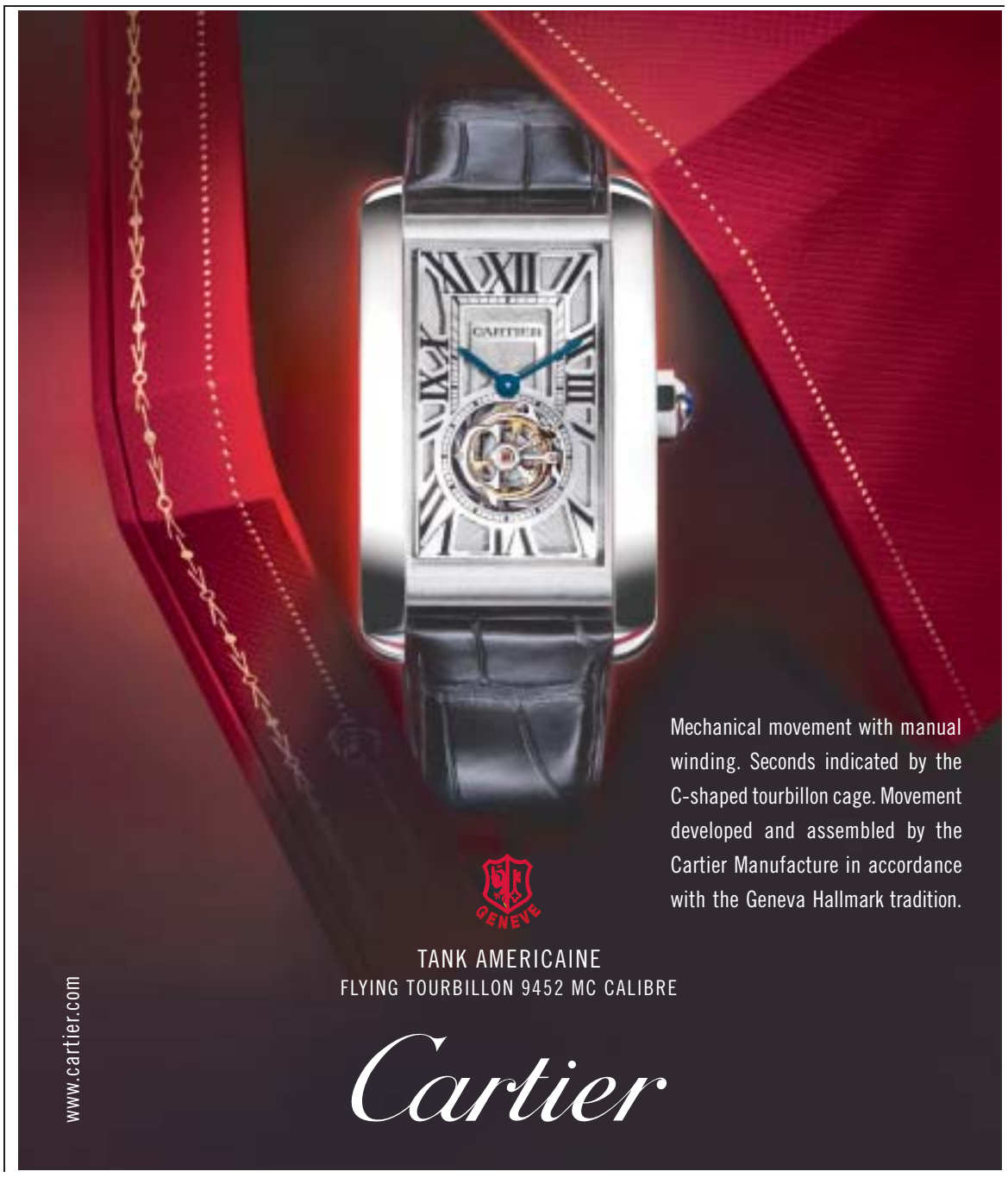
The government left itself room for further gradual changes in the mix of policies through next year. But the statement is far from mapping out an "exit strategy" from the stimulus into a longer-term plan for sustainable growth, as some analysts have urged.

Other economies, including Australia, Norway and Vietnam, have raised interest rates recently, even though they aren't growing as fast as China is now. Many Chinese economists and officials are also airing worries that continued stimulus is leading to wasted investment, excess capacity and other problems.

"China's monetary policy is too loose. ... Asset bubbles are returning with a vengeance," Yu Yongding, a prominent Chinese economist and former central-bank adviser, said in a speech in Sydney last week. "The very expansionary fiscal and monetary policies have succeeded in arresting a fall in growth. However, the medium- and long-term impacts of the expansionary policies are worrying," he said.

The government's broad rhetoric is likely intended more to reassure domestic businesses and financial markets than to provide a precise guide to how it will adjust economic policy in the coming year. Over the past few months China has scaled back bank lending and reduced the boost to the economy from the government budget.

These changes happened even as officials consistently said they weren't shifting gears in the stimulus—and the International Monetary Fund and others have said some support to China's economy is still justified given the weak global outlook. But the modest shifts in direction have done little to ease fears that the flood of money going into the economy will push up prices of stocks, houses and other assets.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Pakistan's power struggle deepens

President Zardari transfers command of nuclear arsenal to prime minister, but move fails to appease opponents

By Zahid Hussain

ISLAMBAD — Pakistan's beleaguered president Asif Ali Zardari is under increasing pressure to step down or to relinquish most of his sweeping powers immediately as growing political tension threatens the stability of the Muslim nation in the midst of a critical battle with the Taliban militants.

In a desperate move to defuse the situation, Mr. Zardari over the weekend transferred command of the country's nuclear arsenal to Prime Minister Yousaf Raza Gilani, signaling his willingness to shed some of his powers. Mr. Gilani said Sunday, the transfer of the chairmanship was "a true litmus test" of relations between him and the president.

Mr. Zardari's move may be the first in a series to diminish his power in an effort to retain his party's backing. He is under pressure to also shed his powers to dismiss the parliament and to make key military appointments.

But analysts said the president's weekend maneuver had only symbolic value. It seems to have failed to appease his opponents, who said the president needed to act sooner.

"It does not have any political value for Mr. Zardari in the power struggle," said Maleeha Lodhi, a former Pakistani ambassador and a senior fellow at Woodrow Wilson Cenntre Washington.

Shabaz Sharif, the chief minister of Punjab, Pakistan's most powerful province, called the president Sunday to move fast before it was too late. "The nation will appreciate if he abolishes the 17th amendment in the constitution immediately," said the chief minister, who is also the younger brother of Nawaz Sharif, the main opposition leader.

Asif Ali Zardari

The amendment, introduced by former military ruler Gen. Musharraf in 2002, had shifted the balance of power to the president.

Associated Press

Demonstrators in Multan, Pakistan, this month protest an amnesty agreement that protects some political leaders from corruption cases.

Mr. Sharif's statement came as a controversial amnesty agreement shielding Mr. Zardari and some of his key ministers from graft charges expired, raising speculation about the president's political future. Some analysts believe it may be difficult for Mr. Zardari to survive his growing unpopularity.

"There is some possibility of him surviving if he agrees to become a figurehead," said Hasan Askari Rizvi, a former professor of politics at the University of Punjab and a leading defense analyst.

The president could only be removed through impeachment, requiring a two-thirds vote in the parliament, which his opponents would be unlikely to get. That leaves it to the Supreme Court to decide his future. The court is expected to start proceedings on two petitions challenging Mr. Zardari's eligibility to hold office. The cases had been protected under the National Reconciliation Ordinance, which expired on Saturday.

The deepening power struggle raises fears that Pakistan's military operation in the tribal region bordering Afghanistan will be affected. Pakistani military said its offensive in South Waziristan has reached a decisive phase.

The crisis has intensified as U.S. President Barack Obama is set to announce his Afghan policy this week.

Mr. Zardari shed his powers as chairman of the National Command Authority through a presidential decree issued late Friday night, giving the responsibility to Prime Minister Gilani. Last week, the president had said he was prepared to transfer most of his powers to the prime minister, reviving the more traditional power structure between the president and the prime minister.

Pakistan set up the NCA in 2000, two years after it conducted nuclear tests. Gen. Musharraf introduced the ordinance in 2007.

"He who himself was chairman of the NCA has given that authority to the prime minister. What more powers can there be than this that a prime minister should have?" Mr. Gilani asked reporters in Islamabad on Sunday.

But the transfer of authority to the prime minister won't make much practical difference as Pakistan's nuclear-weapon program is effectively controlled by Pakistan's powerful military. The transfer was believed to have the approval of the military.

People familiar with the matter said the military was uneasy with Mr. Zardari's control of the country's nuclear weapons because it views him as too close to the U.S., which recently gave Pakistan a large civilian-aid bill in addition to the large amounts of military aid since 2001. They said Mr. Zardari was too dependent on Washington and sometimes wasn't in agreement with the strategic views of the military.

Last year, Mr. Zardari, 54 years old, declared that Pakistan wouldn't make the first use of nuclear weapons if it were at war with India, a position which wasn't in agreement with Pakistan's nuclear doctrine. Pakistan has for a long time maintained a policy of deliberate ambiguity.

China pushes climate plan

By Shai Oster

BEIJING—China's top climate-change negotiator signaled that Beijing is unlikely to take further significant measures on emissions during global talks in Copenhagen unless wealthy countries foot the bill.

Yu Qingtai, special representative on climate-change talks, said China doesn't plan to seek international funding for the vast bulk of the reductions it announced last week—a 40% to 45% cut in "carbon intensity," or emissions relative to economic output, below 2005 levels by 2020.

China won't seek international monitoring of those reductions, he said, because it will pay for most of them itself. But it would accept international oversight on reductions that are funded internationally, Mr. Yu said.

"If you look at the scope of what we do, only an extremely small portion ... would get international support," Mr. Yu said in an interview Friday. "We will rely on our resources to reach the targets we set for ourselves," he added.

Mr. Yu's comments are part of an unusually intense public-relations and diplomatic campaign by China to argue its case ahead of Copenhagen. While rejecting any absolute caps on developing countries, including itself, China is demanding that developed countries commit from 0.5% to 1% of their annual gross domestic product to help poorer nations make reductions. The U.S. and Europe have said that demand isn't acceptable.

The plan China announced Thursday doesn't promise to reduce carbon emissions, but instead to slow the rate of growth in emissions. It isn't an absolute limit—unlike the provisional target of a 17% carbon cut announced last week by the U.S., and even more aggressive targeted cuts that Europe has discussed.

Some observers had hoped China would be willing to make its targets part of an international binding agreement at the Copenhagen talks, which start on Dec. 7. That could help placate critics in the U.S. and Europe who fear that, without the kinds of carbon limits developed nations are planning, China will have an unfair advantage over industries in countries with carbon caps.

But Mr. Yu offered little hope that China would make concessions at Copenhagen to make a global deal there more politically palatable in the U.S.

Arguing that rich nations have failed to live up to earlier promises and are demanding too much from China, he said: "Nobody bothered too much about meeting those commitments and we haven't heard anyone saying sorry that they failed."

Analysts remain divided over whether China's new targets represent a significant departure from business as usual. By some estimates, China has already fulfilled part of its goal through existing energy-efficiency measures. Arthur Kroeber, an economist at Dragonomics Research & Advisory in Beijing, estimates the carbon-intensity goal would still allow China's absolute emissions to rise by 90% to 108% over 2005 levels by 2020.

European Pressphoto Agency

Workers unload coal for a power station in Shenyang, China, on Friday.

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South Korea's capital city won't move

President's decision to leave government in Seoul prompts sharp criticism from both liberal and conservative politicians

By Evan Ramstad

SEOUL—South Korean President Lee Myung-bak's decision not to split the national government by moving a portion from Seoul to a new city in the middle of the country is facing a backlash from lawmakers in both liberal and conservative parties.

Leaders from several parties vowed this weekend to prevent changes to a 2005 law that requires nine ministries to move to a city that's being built at a cost of nearly $20 billion about 100 kilometers from Seoul.

Mr. Lee on Friday announced that he would seek changes to the law but would proceed to build the city, saying that splitting the national government will be expensive and inefficient.

The decision had been expected for several weeks, but the matter became so controversial that Mr. Lee conducted a televised, town hall-style meeting, his first since taking office in February 2008, to discuss it. And this week, he will tour the central and southern part of South Korea to talk about it more.

The controversy underscores the difficulty South Korea's government has had weaning itself from massive infrastructure projects to help drive its economy, a habit that began in the 1960s when the country was climbing out of poverty.

Over the past decade, capital spending has grown out of hand. South Korea spent hundreds of millions of dollars on each of a handful of airports that today are hardly used. One was never finished.

A centerpiece of Mr. Lee's presidential campaign in 2007 was another big capital project: a $16 billion canal through the mountainous country. Since he took office, opposition to that idea has grown, and Mr. Lee has downsized the project so that it now involves the dredging and reshaping of four rivers.

Reuters; Bloomberg News

President Lee Myung-bak, left, has decided not to move part of the government out of Seoul. His predecessor, Roh Moo-hyun, right, had proposed building a new capital.

The new government city—to be built near the town of Yeongi in the center of the country—will be an even bigger project. The new city has been given the name Sejong in honor of the 15th-century king who created the Korean alphabet.

But in recent months, as the start of construction neared, members of Mr. Lee's conservative Grand National Party raised questions about Sejong's viability. The issue began to boil two months ago when Mr. Lee appointed as prime minister a university president who previously criticized the Sejong concept.

Mr. Lee's predecessor, Roh Moo-hyun, proposed in the 2002 presidential campaign that the national government should move out of Seoul to balance the country's development. Seoul is by far South Korea's largest city and, with its suburbs, is home to nearly half the country's 49 million residents.

Mr. Roh, elected from the progressive-nationalist party, proposed building a new capital in a spot near the border of two provinces in the middle of the country that play a swing role in national elections.

But in October 2004, the nation's Constitutional Court ruled that relocating the capital would require a change in the constitution. The next year, Mr. Roh signed a law specifying that nine ministries and four agencies, with a total of 10,000 employees, move to the new location.

As mayor of Seoul when the Sejong law was passed, Mr. Lee opposed splitting the national government. But during the 2007 presidential campaign, Mr. Lee expressed support for it.

But now, Mr. Lee said the number of people involved in the government move is too small for Sejong to evolve into a self-sufficient city. "I was often equivocal on this issue," Mr. Lee said Friday night. "When I look back on the campaign, I feel embarrassment and regret."

Over the weekend, politicians from several progressive-nationalist parties, including the Democratic Party, the biggest, vowed to fight to make Sejong a city that is anchored by national government offices. The conservative Liberty Forward Party, which has several members from the provinces where Sejong would be built, also said a big portion of the government should move there.

Lee Hoi-chang, leader of the Liberty Forward Party and a three-time candidate for president, on Sunday said South Korea "cannot go in the right direction" if it places economics above keeping promises to citizens, local media reported.

—Jaeyeon Woo contributed to this article.

Crashed cargo plane wasn't carrying sensitive goods

SHANGHAI—A Zimbabwe-registered cargo plane that crashed in flames on takeoff from Shanghai's international airport, killing three American crew members, wasn't carrying sensitive goods, a senior executive with the plane's operator said.

*By **James T. Areddy, Andy Pasztor** and **Daniel Michaels***

The McDonnell Douglas MD-11 freighter aircraft was carrying "general cargo, such as electronics," and "nothing of any sensitive nature," said Simon Clarke, chief operating officer of Zimbabwe-based **Avient** Ltd.

China's official Xinhua news agency said the plane was bound for Bishkek, the capital of Kyrgyzstan, when it crashed Saturday morning in relatively good weather. Early reports indicated the tail of the three-engine jet may have struck the ground before the crash. A team of U.S. investigators, led by an expert on engines, was preparing Sunday to head to China.

Mr. Clarke said the plane had entered Avient's fleet only about a week before it crashed. But "the crew had all flown extensively on the type" of plane. "It remains very sketchy," he said. "We are obviously working with the Zimbabwe and Chinese civil aviation authorities to ascertain what went wrong."

Mr. Clarke said the seven-person crew included Americans and people of other nationalities. A U.S. Embassy spokesman said three Americans were killed and one was injured. Xinhua identified the injured crew members as nationals of the U.S., Indonesia, Belgium and Zimbabwe. The survivors were in stable condition in Shanghai hospitals Sunday.

Xinhua quoted Shanghai aviation authorities on Sunday as saying they had found the plane's flight data recorder.

Shanghai television showed billows of black smoke rising high in the sky after the crash. Footage also showed the wrecked MD-11 fuselage lying in a wet field adjacent to the airport. Firefighters sprayed foam on the mangled wreckage. TV pictures showed a survivor, said to be an American co-pilot, on a hospital bed and breathing through a mask but alert enough to say "thank you."

Local television and other local media said the accident closed runways at Shanghai Pudong International Airport and led to widespread flight delays.

The accident is the second fatal crash of a cargo plane on takeoff within six weeks. On Oct. 21, an aging Boeing 707 operated by Sudan Airways crashed on departure from Sharjah Airport in the United Arab Emirates. All six people onboard were killed. The cause of the accident remains unclear.

Associated Press

A Zimbabwe cargo plane crashed Saturday at Shanghai's international airport, killing three American crew members. Above, wreckage from the plane lies at the site.

As is typical in any major accident involving a widely used jetliner world-wide, the U.S. National Transportation Safety Board on Saturday said it was sending a team of government and industry crash investigators. Including experts on engines, structures and operations, the team will be led by veteran safety board investigator Bill English. **United Technology** Corp.'s Pratt & Whitney engine-making unit also will have a team representative.

Mr. English has in the past two years participated in three high-profile airliner accidents on three continents, including the still-unresolved crash of an Air France Airbus A330 earlier this year en route to Paris from Rio de Janeiro.

At the start of the Shanghai probe, investigators are bound to look at issues such as whether all three of the plane's engines were operating properly and if a possible shift of its cargo during the takeoff roll could have created a dangerous situation. Heavily loaded, wide-body jetliners such as the McDonnell Douglas MD-11 can smack their tail on the ground for a variety of reasons, including engine failure or inadequate thrust, or an unusually steep climb away from a runway.

At the same time, the team also is expected to delve into more-complex factors dealing with the interplay of flight-control surfaces and pilot commands. A separate set of experts will look at weather and air-traffic control issues.

Though the early reports of the crash didn't provide many details, the MD-11's history of crashes is one of the factors investigators are bound to consider. The plane is known among many pilots for having particularly sensitive flight-control systems, especially close to the ground, making it extra sensitive to speed or altitude shifts.

Chinese carriers' own safety record has improved notably since the 1990s, when the industry suffered a series of fatal accidents.

U.S. launches new tack against Taliban

By Anand Gopal

KABUL—The U.S.-led coalition and the Afghan government are launching an initiative to persuade Taliban insurgents to lay down their weapons, offering jobs and protection to the militants who choose to abandon their fight.

While President Hamid Karzai's government has been trying to woo these insurgents for years, the new program marks the first time that the U.S.-led North Atlantic Treaty Organization forces are systematically reaching out to Taliban fighters.

The tactic comes as the U.S. prepares to announce Tuesday how many additional troops it will send to Afghanistan as part of a new strategy aimed at bringing the eight-year war to a successful end. U.S. officials also hope America's European allies will raise their troop contributions as part of the new push.

The Afghan government has had a reconciliation program in place since 2004, and claims to have turned more than 8,000 insurgents. That program, however, is widely derided as corrupt and ineffective. Insurgents were enticed with offers of jobs but rarely received the promised assistance, leading many to rejoin the fight.

Western officials behind the new reconciliation program say they believe the majority of insurgents are fighting for money—the Taliban often pay their members—or personal grievances. Luring such men from the battlefield is a central component of America's new counterinsurgency strategy crafted by U.S. Gen. Stanley McChrystal, the top allied commander here.

"It is an issue of dialogue—we need to establish respect, even if they are the enemy," said Graeme Lamb, a retired British general who spearheaded a similar effort to turn Sunni insurgents in Iraq, and who oversees the campaign out of NATO headquarters in Kabul.

The Iraqi program split local Sunni insurgents from al Qaeda's foreign fighters in the tribal Anbar province, recruiting many of them into paramilitary forces. It is widely credited with driving down the level of violence there, eventually allowing the U.S. to begin drawing down its forces.

■ Comparing wars in Afghanistan against the Taliban, mujahedeen 20

President Barack Obama signed a bill in October that earmarks funds to pay former Taliban members to protect Afghan towns and villages from insurgents.

The Afghan government and coalition military officials have already begun using tribal elders and other influential figures to reach out to the Taliban in the south's restive Helmand province. The elders negotiate on behalf of the government, and insurgents are offered jobs with the local police force. Helmand Gov. Gulab Mangal said if necessary, the authorities will pay cash to those willing to lay down arms.

"It has to be a local solution, specific to each community," Mr. Lamb said. "If you try to control everything from Kabul, you will be doomed."

The Taliban's senior leadership met the new reconciliation efforts with scorn. The Islamist movement is "considering this decision as a sign of weakness and complete despondency of the enemy," Mullah Brader Akhund, the Afghan Taliban's second-in-command, said in a statement posted on jihadi Web sites. The insurgents, he added, "have not chosen this path of strife between the truth and the evil to obtain some material goals."

Gul Wazir, a midlevel Taliban commander who fought the Americans for nearly eight years south of Kabul, has been disappointed with the Afghan central government's current reconciliation program. When Mr. Wazir, a middle-age man with a thick, wiry beard and a row of silver teeth, decided to stop fighting in September, the government promised to protect him from his erstwhile comrades, who were threatening to kill him for defecting. It also promised a job, he says.

But no job or protection materialized, and Mr. Wazir says he was forced to flee for the relative safety of Kabul, where he spends his days looking for work. "The government hasn't done a single thing for me," he complains. "I am jobless and my life was better when I was fighting."

Mr. Wazir's predicament is common—and the current reconciliation program's failures are further inflaming the insurgency, analysts say. "Thousands of insurgents come and renounce violence, get a card from the government, and then go back and continue fighting," said Rafiullah Bidar, a senior official of the Afghan Independent Human Rights Commission.

Afghan officials said they plan to revamp the existing reconciliation program and, together with NATO forces, create a new body that supervises the process. The new job and literacy-training programs, Mr. Lamb explained, would help ensure that reformed fighters are not "left in the cold."

It is far from certain that the new program will produce better results, analysts say, at least as long as the Taliban retain momentum in the battlefield.

Agence France-Presse/Getty Images

A former Taliban fighter shows his weapons before handing them over in Herat earlier this month. He was one of about 80 putting down guns at the same time.

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WORLD NEWS

Iran to defy U.N., build 10 more plants

Move follows IAEA rebuke of Tehran that recast standoff; Chinese, Russian support could facilitate further sanctions

A WSJ News Roundup

The Iranian government approved a plan Sunday to build 10 new uranium-enrichment facilities, a dramatic expansion in defiance of United Nations demands that it halt the program.

The decision, reported by the Associated Press and other newswires, came only two days after the International Atomic Energy Agency, the U.N. nuclear watchdog, censured Iran, demanding that it immediately stop building a newly revealed enrichment facility near the holy city of Qom and freeze all uranium-enrichment activities.

The rebuke infuriated Tehran, with lawmakers threatening to consider pulling the country out of the Nuclear Non-Proliferation Treaty in retaliation.

The enrichment announcement will likely stoke already-high tensions between Iran and the West over its controversial nuclear activities. The U.S. and its allies have hinted of new U.N. sanctions if Tehran remains defiant.

An Iranian Cabinet meeting headed by President Mahmoud Ahmadinejad ordered the Atomic Energy Organization of Iran to begin building five uranium-enrichment sites that have already been studied and propose five other locations for future construction within two months, state news agency IRNA reported.

The new sites are to be on the same scale as Iran's only other industrial-scale enrichment plant currently in operation, near the town of Natanz in central Iran.

About 8,600 centrifuges have been set up in Natanz, but only about 4,000 are actively enriching uranium, according to the IAEA. The facility will eventually house 54,000 centrifuges.

In Washington, a senior U.S. officials said that, "if carried out, this would constitute yet another violation of Iran's continuing obligation of suspension of all enrichment-related activities, including construction of new plants."

The official told the AP that "there remains a fleeting opportunity for Iran to engage with the international community, if only it would make that choice."

In Vienna, spokeswoman Gillian Tudor said the IAEA would have no comment on Tehran's announcement.

The newly revealed enrichment site, known as Fordo, is a smaller-scale site that will house nearly 3,000 centrifuges. Its discovery earlier this year brought accusations that Iran was developing the site secretly, a claim Tehran denies.

Iran's standoff with the international community shifted Friday from negotiation to confrontation as the board of the United Nations' atomic watchdog agency voted by a wide margin to censure Tehran, and American officials said the vote marked a turning point in U.S. strategy.

The IAEA's board of governors, meeting at the group's Vienna headquarters, voted 25-3, with six abstentions, to rebuke Iran for its refusal to accept tighter scrutiny of its nuclear activities. All five permanent members of the U.N. Security Council—Russia, China, France, Britain, and the U.S.—voted in favor.

The support by Russia and China for the resolution—which highlighted Iran's failure to comply with existing U.N. resolutions—could open the door for the Security Council to impose further sanctions on Iran, though it remained unclear how far the two countries would go.

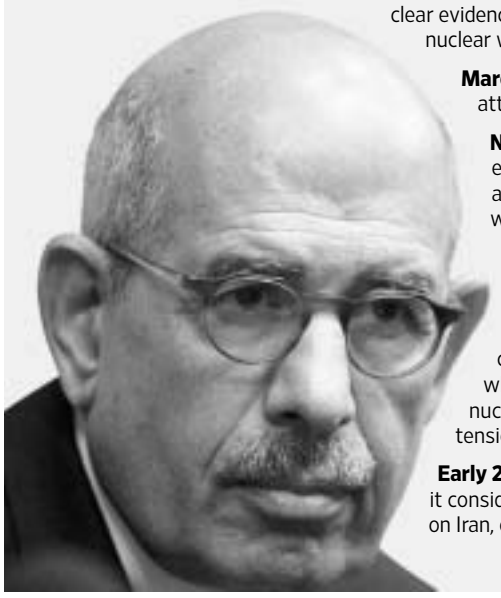
U.S. officials said stronger-than-expected support for the measure reflected international consensus that Iran's nuclear ambitions need to be checked. "If Iran refuses to meet its obligations, then it will be responsible for its own growing isolation and the consequences," White House spokesman Robert Gibbs said in a statement.

Iran's ambassador to the IAEA, Ali Asghar Soltanieh, described the resolution as a "hasty and undue" measure that would "damage" Iran's relationship with the U.N. agency. Iran would now reduce its cooperation to the "minimum required to fulfill its international obligations," he said.

—David Crawford in Vienna and Jay Solomon in Washington contributed to this article.

Turbulent tenure

Mohamed ElBaradei's time as chief of the U.N. atomic watchdog has been marked by controversy and often-heated clashes with the U.S.



Associated Press (ElBaradei); Reuters (ElBaradei with Ahmadinejad)

December 1997 ElBaradei, then a little–known Egyptian diplomat, succeeds Sweden's Hans Blix as head of the International Atomic Energy Agency.

January 2003 ElBaradei tells U.N. security council that the IAEA found no clear evidence of Iraq possessing a nuclear weapon.

March A U.S.-led coalition attacks Iraq.

November Iran suspends enrichment of nuclear fuel and agrees to cooperate with IAEA inspectors.

February 2004 ElBaradei criticizes nations that demand strict proliferation controls of other countries while maintaining their own nuclear arsenals, raising tensions with the U.S.

Early 2005 The U.S., citing what it considers ElBaradei's soft stance on Iran, opposes his re-election but backs down when other nations support his candidacy.

Mohamed ElBaradei, left, meets with with President Mahmoud Ahmadinejad, right, during a visit to Iran in October.

October The Nobel Peace Prize committee chooses ElBaradei and the IAEA for the award.

January 2006 Iran resumes enrichment of uranium fuel in defiance of previous agreements.

June 2007 IAEA inspectors return to North Korea more than four years after they were ordered out.

April 2009 North Korea expels IAEA inspectors.

May North Korea tests a suspected nuclear weapon.

September Iran discloses a previously undeclared nuclear installation.

Nov. 30 ElBaradei set to step down.

Rudd-Obama climate talk

By Iain McDonald

SYDNEY—Australian Prime Minister Kevin Rudd will meet U.S. President Barack Obama in Washington Monday to discuss climate-change strategies and the war in Afghanistan—two thorny issues on which the Australian leader is unlikely to be able to offer much help despite the close relationship between the two men.

Mr. Rudd's plan to cut carbon emissions is stuck in the country's Senate as an unruly opposition fights within itself to decide whether to support the proposal. On Afghanistan, Australia has indicated that it isn't willing to offer more troops.

The White House said the U.S. president will meet Mr. Rudd to "confer on a range of issues including Afghanistan and climate change" in the run-up to a global U.N. climate summit in Copenhagen next month.

Mr. Rudd said, while traveling in Trinidad over the weekend, that he would discuss with Mr. Obama how best to reduce the number of proposals under consideration globally to address climate change heading into the summit.

But both leaders are struggling to put in place programs to reduce carbon emissions at home, complicating any plans to present a united front on the issue.

Mr. Obama said he will travel to Copenhagen to pledge that the U.S. will cut greenhouse-gas emissions by 17% from 2005 levels by 2020 and 83% by 2050. But a U.S. climate plan, having passed the House of Representatives, is stalled in the Senate.

In Australia, Mr. Rudd reached an agreement last Tuesday with leaders of the main opposition Liberal Party to support an amended carbon reduction proposal that includes billions of dollars in compensation for affected industries. A final vote of approval was expected within days.

But the amended proposal has since split the Liberal Party, with party leader Malcolm Turnbull—a supporter of the plan—under fire from conservatives and now facing a vote on his leadership position scheduled for Tuesday. If he loses and is ousted as party leader, the government's greenhouse-gas emissions plan would likely be derailed.

Australia's ruling center-left Labor government needs extra votes in the Senate, where it lacks a majority, to pass laws. It had hoped that by amending its carbon plan with loan guarantees and other compensation for industry, it would win enough opposition support to push it through. Polls show that most Australians support some type of program, but conservative factions within the Liberal Party have vowed to keep fighting against one.

If the Senate, which rejected an earlier emissions plan in August, votes it down a second time, Mr. Rudd could use the double rejection as a trigger to call an early election.

The Australian Senate was due to break last Thursday for a long summer recess but extended its session. It is due to meet again on Monday, but it is unclear when—or even if—a vote on the plan will be held.

The government plan, if passed, would see Australia introduce in July 2011 a market-based carbon-trading program similar to one operating in Europe since 2005, forcing the biggest local polluters to pay for their greenhouse-gas emissions. The aim, by 2020, is to reduce Australia's emissions by at least 5% from levels at the turn of the century.

On Afghanistan, a spokeswoman said Australia hasn't received a request for more troops from the U.S. The Australian prime minister has consistently said he believes Australia's troop contribution of around 1,550 is about right.

New EU antitrust chief, head of trade are named

By Charles Forelle And John W. Miller

BRUSSELS—The European Commission's president proposed a Spanish socialist, Joaquín Almunia, to be its new antitrust chief, and a center-right Belgian, Karel De Gucht, to be trade commissioner, as he moved to set the shape of the bloc's powerful executive arm.

Mr. Almunia, a veteran politician who has served for five years as economic-affairs commissioner, would follow the unexpectedly hardnosed term of Neelie Kroes, who worked in the private sector for more than a decade before she won the antitrust post in 2004 but took tough tacks against **Microsoft** Corp., **Intel** Corp., and assorted cartels, imposing record fines.

The 27 commissioners, one from each country, propose and enforce EU legislation. Assigning people to portfolios is the task of commission President José Manuel Barroso, though he is heavily influenced by national governments. The European Parliament must approve the slate.

The U.K. was perhaps the biggest loser: Michel Barnier, a Frenchman close to President Nicolas Sarkozy, was named to the internal-markets post, which writes financial-services rules. Britain fears Mr. Sarkozy wants tougher regulation to dethrone the City of London as Europe's financial center, and it had pushed to keep France out of the role. Britain's spot on the commission was filled by Baroness Catherine Ashton, chosen earlier as the EU's first foreign minister.

Germany appears to have gotten what it wanted. Its nominee, Günther Oettinger, was given the energy portfolio, a job on the front line of a pivotal engagement: wrestling with Russia over the Continent's gas supply.

The most prestigious posts are those overseeing economic matters. The trade commissioner strikes deals on behalf of all 27 nations. The competition commissioner has wide authority to penalize companies, which Mrs. Kroes, of the Netherlands, has used freely—in May hitting Intel with a fine of €1.06 billion ($1.59 billion) for monopoly abuses.

Mrs. Kroes had been expected to leave the commission, but in recent weeks garnered public support in the Netherlands for another term in Brussels. She will move to a less influential post in charge of Europe's "digital agenda," including telecom regulation.

WORLD NEWS

Swiss vote to ban mosque minarets

Move defies government's appeals for rejection and could risk a Muslim backlash against the country's interests

By Deborah Ball

ZURICH—Voters in Switzerland approved a referendum Sunday to ban the construction of new minarets on mosques, defying appeals from the government to reject the proposal and raising the specter of a Muslim backlash against Swiss interests around the world.

In a surprise outcome, the Swiss voted strongly for the ban, with initial projections showing 58% of votes in favor of the initiative. Until about a month ago, polls predicted that voters would solidly reject the ban, although support for the ban had been edging up in recent weeks.

The referendum, promoted by Switzerland's right-wing People's Party, sparked an emotional national debate over the place of Muslims in Swiss society. The party tapped anxieties that have rippled across Europe in the wake of heated debates over the wearing of the veil in France and the murder of a filmmaker in the Netherlands by a Muslim extremist. The yes vote could raise interfaith tensions in a country that has largely escaped similar conflicts in recent years.

The People's Party, arguing that the minaret is a symbol of Islamic intolerance, led a drive that collected more than 100,000 signatures to call the referendum, twice the number required.

Minarets are tower-like structures that are often used to launch the call to prayer for Muslims. In Switzerland only four of the country's 150 mosques have minarets, and none are used for the call to prayer because of strict noise-pollution rules. While the construction of mosques has sparked opposition in many European countries grappling with large waves of Muslim immigration, minarets have been far less controversial.

People's Party leader Walter Wobman said the group will now fight to ban the burqa, a full-length covering worn by very devout Muslim women, as well as forced marriages. Swiss Justice Minister Eveline Widmer-Schlumpf released a statement saying the government respected the vote, but emphasized that it "is not a rejection of the Muslim community, religion or culture. Of that the [Swiss government] gives its assurance."

Muslim leaders chose to keep a low profile during the campaign ahead of the referendum, but warned that a yes vote could damage relations with greater Swiss society. The yes vote "isn't worthy of Switzerland," said Farhad Afshar, president of the Confederation of Muslim Organizations in Switzerland. "Muslims no longer feel accepted in Switzerland, and that is a shame, because Islam in Switzerland is a model for other European countries."

> The vote is a surprise in a country that prides itself on integrating immigrants.

The vote in favor of the ban is a surprise in a country that prides itself in integrating immigrants, and where about a fifth of the population are foreigners. About 400,000, or roughly 5%, of Swiss residents are Muslim. Some more orthodox Muslim groups have called for greater rights in recent years, including demanding segregation of children during swimming lessons. But Swiss authorities have typically found pragmatic solutions to such demands with relatively little controversy. The run-up to the vote, however, saw a spate of anti-Muslim incidents, including the vandalization of a Geneva mosque last week.

The Swiss government strongly opposed the referendum, fearful that a yes vote would spark a backlash similar to the one that hit Denmark in 2005 following a controversy over published cartoons of the prophet Muhammad. Swiss diplomats have quietly been reassuring leaders in Muslim countries that the government in Bern opposed the referendum, but a yes vote could leave them struggling to maintain good relations. The Foreign Ministry hasn't had reports of any anti-Swiss incidents in recent weeks.

Swiss companies such engineering group ABB and food producer Nestlé SA have large businesses in Muslim countries, while wealthy Arabs are among the most sought-after clients for the country's two banking giants, UBS AG and Credit Suisse Group. About 7%, or 14.5 billion Swiss francs ($14.4 billion), of Switzerland's exports go to Muslim countries. UBS had no comment on the outcome of the referendum, while ABB, Credit Suisse and Nestlé didn't immediately respond to requests to comment.

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MANAGING

Rothschild banks on family to secure a historic legacy

Throughout the financial crisis, Rothschild's narrow merchant-bank-like focus has been an advantage

By Patience Wheatcroft

Rothschild is the banking dynasty that has survived. "Our success has resisted nationalization, world wars, Nazi persecution—and we're still around," says Baron David de Rothschild.

He intends that the bank he now chairs, **NM Rothschilds & Sons** Ltd., will be around for a great deal longer and, unlike so many other banking dynasties, will retain a Rothschild at the helm. The family involvement, he feels, is one of the things that distinguishes the organization and has enabled it to build its franchise in Europe and, increasingly, around the globe.

Baron David became chairman of the group in 2003, when the French and British businesses came together. He might have had the right name for the job, but he also had the right qualifications. Although the current Rothschild banking empire was established at the turn of the 19th century—by Nathan in London and James in France—David didn't walk straight into the boardroom of an established business.

In 1982, the Socialist government in France nationalized the bank. As soon as there was room for private enterprise again, David, with a handful of employees and $1 million of capital, launched his own bank. "I spent a lot of time in the engine room before coming up to the bridge," he says.

This, he says, gives him credibility with the people who work for him, and the choice of those people is something he takes very seriously. "You can never be comfortable in an organization where you don't trust others," he says. "You have to be obsessed with being surrounded with people smarter than yourself." But those people have to accept that this is a family business that, if Baron David has his way, will continue to have a Rothschild at its helm.

His son Alexander is 29 years old and has "made a good start." Yet even if Baron David, now 67, remains in office until he is 74, which he plans, it would still be a challenge for Alexander to succeed him. An interim solution Baron David has considered is that a nephew, Benjamin, currently running his own sizable business majoring in wealth management, might be of the right material.

"His is a bigger wealth-management business than ours," Baron David says. This rankles with him. Although his Rothschild corporate-finance business has had a very successful few years, topping various performance league tables for share of advisory work and the like, its wealth-management division has failed to deliver the scale he believes it should.

"We missed an opportunity we had to create a very strong wealth-management side. We had a strong brand, great people...." His frustration at this one evidence of relative failure is apparent.

But if Benjamin were to be his successor, it would only be because his **LCF Rothschild Group**, with its €100 billion ($150 billion) under management, had joined the main family grouping with its U.K./France roots. That would be a step that would strengthen the group and would clearly be in keeping with the baron's belief in building on the family heritage.

Rothschild is more of an old-style merchant bank than a modern investment bank. It invests in building long-term relationships with clients, providing advice that, if it leads to transactions, will generate fees. It doesn't have the balance sheet to enable it to compete with the giant U.S. houses in backing deals. Yet as the financial crisis has cascaded across markets, that narrow focus has been a strong advantage. As other banks have counted the cost of all those complicated instruments they played with, Rothschild continued to prosper. In the year to March 2008, when other banks were being hit with massive write-offs, Rothschild reported pro forma profit up by nearly a third.

Martin Slivka for The Wall Street Journal

If Baron David has his way, Rothschild will continue to have a Rothschild at its helm after he goes.

The chairman is wily enough to be wary of criticizing his rivals. "There was a time when, with hindsight, we bankers should have handled things differently," he says. Now, although the "systemic collapse" that was so perilously close has been avoided, he says: "There are liabilities out there that will take 10 to 15 years to sort out."

He is a fan of Christine Lagarde, the French finance minister, who has been outspoken in her calls for change in the banking sector. His own recipe for avoiding a repeat of the crisis is less radical. "It would not be the end of the world if banks had slightly lower profits and higher-quality earnings," he says. "Less gearing and more capital would make for lower returns, but it would be a good thing for the world."

Rothschild now does business in much of that world. "We may not have a big balance sheet, but we have a global footprint," the chairman says with a smile, pointing out that the bank has been in Brazil for many years, has just marked a decade since it opened its office in Mumbai and was the first bank to initiate IPOs out of China. Now it is advising the Chinese car manufacturer Geely on its acquisition of the Volvo unit of Ford Motor Co.

Governments as well as corporations are customers, and more than a dozen have turned to the bank for help in coping with the financial crisis. Rothschild is extraordinarily well plumbed into the financial and political elite. As Baron David pointed out, a former French president (Georges Pompidou) worked for the bank, former German Chancellor Gerhard Schroeder is on its advisory council, and in the U.K., several former Tory ministers and current shadow ones are linked to Rothschild.

"We have a global footprint," the chairman says, pointing out that the bank just marked a decade since it opened its office in Mumbai and was the first bank to initiate IPOs out of China.

It now seems John Kingman—the former head of U.K. Financial Investments, which holds the U.K. government's stakes in its ailing banks—who is seeking a role in the private sector, is going to find a berth there.

Baron David says he is closer to the business and the management than was his cousin Evelyn, whom he succeeded. Those who know the pair see the current chairman as far more accessible and easier to work with. Baron David admits that he doesn't like conflict, and "I spend a lot of time smoothing the anger rather than pouring vinegar on an open wound."

"Charming" is an adjective not often used to describe bankers these days, but one regularly used to describe this elegant, silver-haired, individual.

He says of Evelyn: "He always had the strategy right. He kept the family cohesion. And he encouraged the arrival of a French chairman at a U.K. bank." The last clearly continues to be a cause of pleasure to this man who obviously relishes a job that sees him spending around 40% of his time in Paris and much of the rest traveling.

"I never micro-manage; I try to focus on those things where I can bring added value," he says. That often involves building long-term relationships with clients. Although he is generally determinedly, if unconvincingly, modest about his talents, he is happy to proclaim: "I have reasonably strong instincts—a bit above average—in terms of judging people and dealing with them."

This view may have played a part in his decision that the bank should move into taking stakes in some of its client's businesses. Besides investment banking and wealth management, he says the bank should have "a third leg," and this will be it: backing those family firms that come to the bank for advice.

Family is something the Rothschilds believe worth backing.

FROM PAGE ONE

China's firms cling to cash

Continued from first page
sucking them dry.

After a wave of closures in the late 1990s, the government has enthroned a smaller number of strong state firms at the commanding heights of China's economy. There are now three oil companies, three phone companies, two electricity distributors—all majority owned by the state. The profits of state firms were rising more than 30% a year before the crisis, and their strength is increasingly visible. They've been building lavish new headquarters in Beijing, and on average pay their employees 82% more than private firms.

Chinese officials flubbed their first attempt to extract some savings from these cash-rich state enterprises.

Chinese officials flubbed their first attempt to extract some savings from these cash-rich state enterprises. A requirement for state firms to pay a new dividend to the government has had little impact since its launch in 2008, bringing in revenues of just 0.2% of gross domestic product. And most of the money was used to aid state companies themselves, not support consumers.

"State-owned enterprise managers are a very powerful group in the policy debate. So the State Council [or cabinet] has moved very cautiously in implementing this reform," said Zhang Chunlin, private-sector development specialist in the World Bank's Beijing office.

Scholars and government officials are debating changing this dividend policy. Many argue that the current payout of 5% to 10% of profits should be increased. And there's also a push for putting the money into the general government budget, where it could support social programs rather than fill a slush fund for state enterprises.

Many outside the country also see a shift in this dividend policy as key to making China a more consumption-driven economy. The U.S. Treasury and the International Monetary Fund have both urged China to take more money out of the pockets of state firms and use it to support household incomes.

This consensus is somewhat surprising, as economists in the West haven't focused much on corporate savings. Since households ultimately own companies, the theory goes, what matters is the overall level of savings by the private sector, not how it is split among households and corporations. Any increase in corporate savings should just be offset by lower household savings, or vice versa.

In developed countries, this seems to largely hold true. But recent research by the IMF shows that in China, and other Asian countries, the recent rise in corporate savings hasn't been matched by lower household savings. Shareholders of these companies seem unable to make managers stop hoarding cash and start paying dividends. That bolsters the case for government policies to push down corporate savings.

Even supporters are not optimistic that these changes will come quickly. An overhaul to the dividend policy could threaten the agency that now administers it—the State-owned Assets Supervision and Administration Commission, or SASAC—and cause resistance in the bureaucracy.

"Scholars have put forward a lot of suggestions, but I think there is zero possibility of changing the dividend policy this year. And next year also," said Wen Zongyu, a researcher at the Ministry of Finance's think tank. A gradual approach is more likely to win support, he said, with changes phased in at the end of the dividend policy's initial three-year trial period.

Perhaps not by coincidence, that 2011 timetable would coincide with the end of the current administration's term—so the tough calls could be pushed off even further.

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Jean-Claude Trichet before the summit in Nanjing on Sunday. The European Central Bank president said he didn't expect near-term action on the yuan.

China-EU currency talks

Continued from first page
bornly high, and that Beijing's exchange-rate policies mean Europe isn't benefiting fully from China's surging growth.

Ahead of the Copenhagen climate-change summit next month, Europe is challenging China's argument that as a developing country it isn't able to cap its output of global greenhouse gases. "I certainly asked the Chinese and all our partners to explore the outer limits of their positions," said European Commission President José Manuel Barroso.

The European Union Chamber of Commerce in China warned last week that China's massive economic-stimulus program risked unleashing a new wave of industrial exports and sparking trade conflicts.

European officials in Nanjing said they stuck by a strategy communicated ahead of the meetings—which continue Monday in this historic eastern city—that they want Beijing to permit an orderly and gradual rise in the value of the yuan. They say a yuan that begins rising, including against the euro, would benefit China itself and make the broader global economy better-balanced.

Europe shares Washington's concern that the roughly 21% rise in the yuan against the U.S. dollar since mid-2005 is insufficient given China's rapid growth. The euro area has seen even less movement: In the two years since a previous round of Sino-EU talks, the yuan has risen about 7% against the euro.

Yet since Beijing loosened its peg to the dollar more than three years ago, the yuan has actually fallen against the euro, pushing the European currency up about 2.6% against the yuan since 2005.

Premier Wen Jiabao didn't comment publicly after Sunday's meetings. The state-run Xinhua news agency quoted him as saying, "The meeting with Euro Group leaders constitutes an important part of [the] dialogue mechanism between China and the EU. Such a mechanism was established the year before last, demonstrating the further growth of Sino-EU relations."

European officials said they were encouraged that Beijing's economic stimulus is helping expand domestic demand in China, not merely adding infrastructure, and they waved off concerns about bubbles in the Chinese economy.

But while the frank exchanges ensured that Europe's message on the currency got through, European officials offered little hope of immediate policy change. "I would not overinterpret" any signs that Europe made progress on the yuan as leading to near-term action, European Central Bank President Jean-Claude Trichet told reporters.

"The Chinese are telling us exactly what they told President [Barack] Obama," Mr. Barroso said after a dinner with Premier Wen. The U.S. president failed to extract any public concessions on the yuan on his visit to China last month.

The European officials dismissed concerns that debt problems in Dubai could spread to their own highly indebted nations. "I don't see any default problem in Euope," said Mr. Juncker. The officials said the global economy remains fragile and it was too early to back off from stimulus efforts.

—Joy C. Shaw contributed to this article

Bloomberg News

Jean-Claude Juncker, left, who heads the euro-zone finance ministers' group, with Chinese Premier Wen Jiabao before their meeting in Nanjing on Sunday.

Rigging a Climate 'Consensus'

The climatologists at the center of the leaked email and document scandal have taken the line that it is all much ado about nothing. Yes, the wording of their messages was unfortunate, but they insist this in no way undermines the underlying science. They're ignoring the damage they've done to public confidence in the arbiters of climate science.

"What they've done is search through stolen personal emails—confidential between colleagues who often speak in a language they understand and is often foreign to the outside world," Penn State's Michael Mann told Reuters Wednesday. Mr. Mann added that this has made "something innocent into something nefarious."

Phil Jones, director of the University of East Anglia's Climate Research Unit, from which the emails were lifted, is singing from the same climate hymnal. "My colleagues and I accept that some of the published emails do not read well. I regret any upset or confusion caused as a result. Some were clearly written in the heat of the moment, others use colloquialisms frequently used between close colleagues," he said this week.

We don't doubt that Mr. Jones would have phrased his emails differently if he expected them to end up in the newspaper. He's right that it doesn't look good that his May 2008 email to Mr. Mann regarding the U.N.'s Fourth Assessment Report said "Mike, Can you delete any emails you may have had with Keith re AR4?" Mr. Mann says he didn't delete any such emails, but the point is that Mr. Jones wanted them hidden.

> About those emails, 'peer review,' and confidence in science.

The furor over these documents is not about tone, colloquialisms or whether climatologists are nice people. The real issue is what the messages say about the way the much-ballyhooed scientific consensus on global warming was arrived at, and how a single view of warming and its causes is being enforced. The impression left by the correspondence among Messrs. Mann and Jones and others is that the climate-tracking game has been rigged from the start.

According to this privileged group, only those whose work has been published in select scientific journals, after having gone through the "peer-review" process, can be relied on to critique the science. And sure enough, any challenges from critics outside this clique are dismissed and disparaged.

This September, Mr. Mann told a New York Times reporter in one of the leaked emails that: "Those such as [Stephen] McIntyre who operate almost entirely outside of this system are not to be trusted." Mr. McIntyre is a retired Canadian businessman who checks the findings of climate scientists and often publishes the mistakes he finds on his Web site, Climateaudit.org. He holds the rare distinction of having forced Mr. Mann to publish a correction to one of his more famous papers.

Michael Mann

As anonymous reviewers of choice for certain journals, Mr. Mann & Co. had considerable power to enforce the consensus, but it was not absolute, as they discovered in 2003. Mr. Mann noted in a March 2003 email, after the journal "Climate Research" published a paper not to Mr. Mann's liking, that "This was the danger of always criticising the skeptics for not publishing in the 'peer-reviewed literature'. Obviously, they found a solution to that—take over a journal!"

Mr. Mann went on to suggest that the journal itself be blackballed: "Perhaps we should encourage our colleagues in the climate research community to no longer submit to, or cite papers in, this journal. We would also need to consider what we tell or request of our more reasonable colleagues who currently sit on the editorial board." In other words, keep dissent out of the respected journals. When that fails, redefine what constitutes a respected journal to exclude any that publish inconvenient views.

A more thoughtful response to the emails comes from Mike Hulme, another climate scientist at the University of East Anglia, as reported by a New York Times blogger:

"This event might signal a crack that allows for processes of re-structuring scientific knowledge about climate change. It is possible that some areas of climate science has become sclerotic. It is possible that climate science has become too partisan, too centralized. The tribalism that some of the leaked emails display is something more usually associated with social organization within primitive cultures; it is not attractive when we find it at work inside science."

The response from the defenders of Mr. Mann and his circle has been that even if they did disparage doubters and exclude contrary points of view, theirs is still the best climate science. The proof for this is circular. It's the best, we're told, because it's the most-published and most-cited—in that same peer-reviewed literature. The public has every reason to ask why they felt the need to rig the game if their science is as indisputable as they claim.

Dubai's Debt Reckoning

The credit problems of a unit of Dubai's state-owned investment company have given financial markets a scare, but put us down as thinking the event is left-over business from the mid-decade mania more than it is a sign of immediate new economic troubles.

Like subprime mortgages and Citigroup's off-balance sheet "structured investment vehicles," Dubai's debt binge was made possible by the Federal Reserve's global subsidy for credit. As a Middle East outpost without oil wealth, the city-state used easy credit in an effort to build itself into the next Singapore. And it has made some impressive strides as a tolerant entrepot for traders and investors looking for an entry into the Arab world. Its openness to the world's money and people is certainly a better model for Middle East development than is Saudi Arabia.

> How one bursting bubble could feed the next one.

On the other hand, the city-state clearly got carried away during the boom, and its property market in particular became a bubble as overbought as condos on the Las Vegas strip.

In the wake of Wednesday's request for a debt holiday, investors immediately put on their post-Lehman Brothers "contagion" hats and fled for safety. The otherwise sickly dollar rallied, while gold, oil and stock markets world-wide all fell. Nevermind that no one could say who except the creditors of Dubai World's real estate subsidiary would be harmed by the request for an interest-payment moratorium. European banks have nearly $84 billion in exposure to all of the United Arab Emirates, of which Dubai is merely one, while U.S. banks seem less vulnerable.

Stocks in particular have had an historic rally since March, and the Dubai debt blowup may have been the excuse investors needed to pocket some of their winnings and protect against a correction.

One irony is that Dubai's debt problem is likely to reinforce the determination of the world's central bankers, especially those at the Fed, to keep the money spigots wide open to prevent any new credit crunch. In the near term, this will help gold and other riskier assets that are rising on the surge of greenbacks. In the longer run, it may feed new asset bubbles and lead to future credit problems once the Great Reflation inevitably stops. Thus could one bursting bubble end up feeding another.

The Fate of Liu Xiaobo

Next week marks two anniversaries for China: one year since dissident Liu Xiaobo disappeared into the maw of the state-security apparatus, and one year since the manifesto for political reform he helped draft, Charter 08, was made public. As the country's human-rights situation continues to deteriorate, the world must not forget Mr. Liu and the sacrifices he has made for China's political modernization.

The 53-year-old literature professor was formally arrested by the police in June and accused of "agitation" and "subversion." His real crime was to give lie to the idea that the Chinese people are unconcerned by the authoritarian nature of their government. Since it was unveiled, Charter 08 has garnered thousands of signatures of Chinese from all walks of life. That's despite the fact that signatories knew at the very least they would be harassed by the authorities; some were detained during U.S. President Barack Obama's recent visit.

> More than a dissident, he is a symbol of Chinese aspirations.

These citizens took great personal risks simply to ask the government to live up to ideals enshrined in its own constitution, ideals that have never been put into practice. These include civil liberties such as freedom of expression and equal protection under the law. The charter also calls for democratic elections to form a government "of the people, by the people, and for the people."

President Obama reportedly raised Mr. Liu's case in private talks with China's leaders last week. But so far that seems to have had little effect; his detention without trial was recently extended for another two months. Defense lawyer Mo Shaoping has been prevented from formally taking the case, on the grounds that he is also a signatory to Charter 08.

Maximum pressure from all quarters is needed now for Mr. Liu's release, because once an indictment is issued there is little chance that he will escape a long prison sentence. Mr. Liu and Charter 08 are important symbols of the Chinese people's yearning for political reform to accompany decades of successful economic reforms. It is critical that he not suffer the fate of his predecessors, many of whom vanished into the prison system and then were forced abroad into exile.

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OPINION

She Wants to Reboot California

[Journal Interview] with Carly Fiorina

By John Fund

Washington

When Carly Fiorina sat down to speak with me recently, I was briefly taken aback. The former CEO of Hewlett Packard and current candidate for U.S. Senate from California was sporting a close-cropped, salt-and-pepper hairdo. Having completed six months of treatment for breast cancer, the 55-year-old Ms. Fiorina has dispensed with the auburn wig she'd been wearing as her hair grows back.

After chemotherapy, former Hewlett-Packard CEO Carly Fiorina says taking on U.S. Senator Barbara Boxer isn't so intimidating.

She says her health is now fine, and that "after chemotherapy Barbara Boxer isn't that scary anymore," referring to the three-term Democratic incumbent she wants to unseat in 2010. She laughs when I suggest her new 'do may get her a hearing in precincts like Berkeley and San Francisco. On a more serious note, she says that "in these hard times, a lot of people across the spectrum will listen to my message—that California can only recover if we encourage economic growth and restrain spending and job-killing regulation."

With a 12.5% unemployment rate, the Golden State is certainly in trouble. In 2007 alone, 260,000 Californians moved to states with more opportunity. The nonpartisan Tax Foundation says only New York and New Jersey have worse business tax climates. And a new Los Angeles Times poll found that more than half of California residents think the state's major problems won't fade as the economy recovers.

Ms. Fiorina is not shy in pointing out what's to blame. "The high tax, big government, regulatory regime we see in California is the current course and speed for where the nation is headed," she warns. "California is a great test case, a factual demonstration that those programs don't work." She notes that while state spending has significantly outstripped inflation in recent years, every year government services perform more poorly and it becomes harder to open a business. "I very much doubt Hewlett Packard could be founded today as a manufacturing company in California," she adds soberly.

There are signs California voters have had enough. After the legislature passed a huge $12.5 billion tax increase last February to plug the state's budget gap, it put a measure on the ballot to extend the tax hikes for two years. The tax failed by an almost 2-to-1 margin.

Voters may also be in the mood for new leadership. "I'm not a professional politician, I'm a problem solver," she emphasizes, contrasting her record with that of the 69-year-old Ms. Boxer. That record is fairly stark: By most measures, Ms. Boxer has been an unbending ideologue during her three terms, as illustrated by her 95% rating from the liberal Americans for Democratic Action in 2008.

Given the deep national recession and a state economy deep in the red, Ms. Fiorina is especially critical of Ms. Boxer's opposition to "virtually every trade agreement." Ms. Fiorina also chides Ms. Boxer for the latter's lockstep support for the public employee unions that she claims enjoy "outsized political influence" in California.

On the environment, Ms. Fiorina faults the senator for ignoring pleas from farmers to the U.S. Fish and Wildlife Service to restore water flows to California's Central Valley, which have been restricted by two controversial biological assessments by the government that asserted the local delta smelt was endangered: "I've seen the devastation and massive unemployment that [the water restrictions have] caused."

California's other Democratic senator, Dianne Feinstein, has called for an immediate third-party review of the federal conclusions. Ms. Fiorina notes that Ms. Boxer came into the Senate in 1993 at the same time as her more moderate colleague. "Since then, Dianne Feinstein has been far more productive while Barbara Boxer has been singularly ineffective for the people of California."

On the legislative front, Ms. Boxer chairs the Senate Environment Committee. Her clumsy bobbling of the cap-and-trade bill designed to address global warming has even been criticized by some of her fellow Democrats. Ms. Fiorina has a different take: "Thank goodness she's failed to pass that job-killer, but it shows how little she gets across the finish line."

Ms. Fiorina makes clear she takes the issue of climate change seriously. But she argues that global warming is best addressed through more innovation, new technology and energy efficiency, areas in which California has excelled. The scientific debate on the extent of global warming should continue, she says. Meanwhile, cleaner technologies such as nuclear power should be encouraged.

"We must take advantage of every source of energy," she emphasizes, and forthrightly tackles a taboo subject in a state that has restricted off-shore drilling since the 1969 Santa Barbara oil spill.

Terry Shoffner

"Technology has fundamentally changed the extraction of oil and natural gas," she says. That means California can protect the environment at the same time it opens up new areas of exploration.

Ms. Fiorina also is fascinated by the political potential of technology. "We need more transparency and accountability in government so that people know how their money is being spent," she says. "That means putting budgets online, putting legislation online." She's convinced that if citizens can play a greater watchdog role it will be easier to keep a check on higher spending and taxes.

In the midst of her enthusiastic comments about high-tech solutions to economic and political problems, Ms. Fiorina pauses to acknowledge that she's fully aware her six-year tenure as the head of HP will be used against her.

"Liberals will say I was let go by my board in 2005 and outsourced some jobs overseas," she says bluntly. "But I took the company through the worst technology recession in a generation and created jobs on a net basis. As for the outsourcing, the tax and regulatory climate made it almost impossible not to do that—which is why we have to change it." Ms. Fiorina claims subsequent revelations—that her successor and the board members who fired her were embroiled in an internal spying scandal—help vindicate her tenure as the first woman to head a Fortune 20 company.

But it's not just Democrats and liberals who will attack Ms. Fiorina. In a recent poll (with most voters undecided), she had only a narrow lead over Republican Chuck DeVore, a state assemblyman who criticizes her as the candidate of the party's establishment. He told reporters earlier this month that the fundamental issue is whether primary voters want "someone who epitomizes Reagan Republicanism or Rockefeller Republicanism."

To some that slam might seem a bit of a reach. Ms. Fiorina insists on her conservative bona fides. Her father was Joseph Sneed, a conservative law professor who served on the liberal Ninth Circuit Court of Appeals from 1973 until his death last year. His daughter says she inherited both his ability to work with those he disagreed with and his "common sense" views on issues.

Ms. Fiorina adds that she learned the values of hard work and entrepreneurship after she left Stanford University with a degree in medieval history and philosophy and was "unemployable." She worked as a secretary at a real-estate firm until she joined a management training program at AT&T in 1980. She rose to oversee marketing and sales for the largest division of Lucent Technologies before taking over HP in 1999.

"I will not run away from [conservative] values," Ms. Fiorina says, noting that she has signed the Americans for Tax Reform pledge against higher taxes and voted for Proposition 8 last year, which banned same-sex marriage in the state. On abortion, Ms. Fiorina says she is "proudly pro-life" and a strong opponent of taxpayer funding of abortions.

But her views also carry some nuance. She notes she created a strong program of domestic partner benefits while at HP. As for changing existing laws on abortion, she acknowledges, "I know, as a realist, that not everyone agrees with me. So the common ground we can find is how to reduce abortions."

An issue that will give Mr. DeVore some traction in a primary is that Ms. Fiorina says she "probably" would have voted to confirm Sonia Sotomayor, because most presidential Supreme Court nominees who are qualified deserve a presumption of support. One can argue with that position on substantive grounds, but it's probably smart politics in a general election given that California is 37% Hispanic.

Mr. DeVore has won backing from Rep. Tom McClintock, a conservative California hero, along with South Carolina Sen. Jim DeMint. But Ms. Fiorina is supported by stalwart Republican conservative Sens. Tom Coburn and James Inhofe from Oklahoma. She also has support from Maine's Republican moderate Sens. Susan Collins and Olympia Snowe.

Can a conservative win in California given the shellacking John McCain, for whom Ms. Fiorina was a top economic adviser, got in the state last year? Her crisp answer is yes, noting that "the timing is now against Boxer" because "Californians are worried about whether they will have a job along with ballooning federal spending and deficits." All recent polls show Ms. Boxer below the 50% support an incumbent should have. Last week's Rasmussen poll gave Ms. Boxer a 46% to 37% lead over Ms. Fiorina, with one in three voters holding a "very unfavorable" view of the Democratic incumbent.

Ms. Fiorina notes that ObamaCare is now supported by only half of the state's voters. This is a sign, she says, that voters increasingly recognize it will raise the cost of health-care premiums and fail to solve real problems in our health-care system.

* * *

She has also targeted the proposed federal guidelines restricting the frequency of mammograms on the basis of personal experience. Ms. Fiorina says she found her own breast cancer lump only two weeks after a clear mammogram, and if she had waited two years for another one her cancer might not have been detected. She said on CNN that the federal panel that approved the now-withdrawn recommendations had "no cancer specialists on it, and the panel was explicitly asked to consider cost, not simply science."

Ms. Fiorina recognizes she has a way to go to convince voters to elect a political newcomer, and she makes no excuses for her spotty voting record in recent years. But California has a long tradition of electing outsiders to statewide office—from Ronald Reagan to educator S.I. Hayakawa (to the U.S. Senate) to Arnold Schwarzenegger. In tough economic times, California may well be tempted to elect a former CEO who thinks the Congress needs common-sense people like herself.

Mr. Fund is a columnist for WSJ.com.

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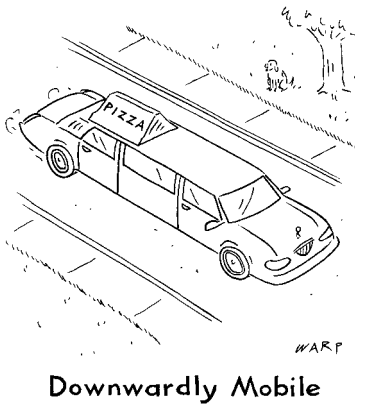

Downwardly Mobile

OPINION

He Can't Take Another Bow

[Declarations]

BY PEGGY NOONAN

Last week, two points in an emerging pointillist picture of a White House leaking support—not the support of voters, though polls there show steady decline, but in two core constituencies, Washington's Democratic-journalistic establishment, and what might still be called the foreign-policy establishment.

From journalist Elizabeth Drew, a veteran and often sympathetic chronicler of Democratic figures, a fiery denunciation of—and warning for—the White House. In a piece in Politico on the firing of White House counsel Greg Craig, Ms. Drew reports that while the president was in Asia last week, "a critical mass of influential people who once held big hopes for his presidency began to wonder whether they had misjudged the man." They once held "an unromantically high opinion of Obama," and were key to his rise, but now they are concluding that the president isn't "the person of integrity and even classiness they had thought."

She scored "the Chicago crowd," which she characterized as "a distressingly insular and small-minded West Wing team." The White House, Ms. Drew says, needs adult supervision—"an older, wiser head, someone with a bit more detachment."

As I read Ms. Drew's piece, I was reminded of something I began noticing a few months ago in bipartisan crowds. I would ask Democrats how they thought the president was doing. In the past they would extol, with varying degrees of enthusiasm, his virtues. Increasingly, they would preface their answer with, "Well, I was for Hillary."

This in turn reminded me of a surprising thing I observe among loyal Democrats in informal settings and conversations: No one *loves* Barack Obama. Half the American people say they support him, and Democrats are still with him. But there were Bill Clinton supporters who really loved him. George W. Bush had people who loved him. A lot of people loved Jack Kennedy and Ronald Reagan. But no one seems to love Mr. Obama now; they're not dazzled and head over heels. That's gone away.

He himself seems a fairly chilly customer; perhaps in turn he inspires chilly support. But presidents need that rock-bottom 20% who, no matter what's happening—war, unemployment—adore their guy, have complete faith in him, and insist that you love him, too.

They're the hard 20 a president always keeps. Nixon kept them! Obama probably has a hard 20 too, but whatever is keeping them close, it doesn't seem to be love.

* * *

Just as stinging as Elizabeth Drew on domestic matters was Leslie Gelb on Mr. Obama and foreign policy in the Daily Beast. Mr. Gelb, president emeritus of the Council on Foreign Relations and fully plugged into the Democratic foreign-policy establishment, wrote this week that the president's Asia trip suggested "a disturbing amateurishness in managing America's power." The president's Afghanistan review has been "inexcusably clumsy," Mideast negotiations have been "fumbling." So unsuccessful was the trip that Mr. Gelb suggested Mr. Obama take responsibility for it "as President Kennedy did after the Bay of Pigs."

He added that rather than bowing to emperors—Mr. Obama "seems to do this stuff spontaneously and inexplicably"—he should begin to bow to "the voices of experience" in Washington.

When longtime political observers start calling for wise men, a president is in trouble.

It also raises a distressing question: Who are the wise men and women now? Who are the Robert Lovetts, Chip Bohlens and Robert Strausses who can came in to help a president in trouble right his ship? America seems short of wise men, or short on those who are universally agreed to be wise. I suppose Vietnam was the end of that, but establishments exist for a reason, and it is hard for a great nation to function without the presence of a group of "the oldest and wisest" who can not only give sound advice but help engineer how that advice will be reported and received.

Associated Press

President Barack Obama and Japanese Emperor Akihito, Nov. 14

* * *

Mr Obama is in a hard place. Health care hangs over him, and if he is lucky he will lose a close vote in the Senate. The common wisdom that he can't afford to lose is exactly wrong—he can't afford to win with such a poor piece of legislation. He needs to get the issue behind him, vow to fight another day, and move on.

Afghanistan hangs over him, threatening the unity of his own Democratic congressional base. There is the growing perception of incompetence, of the inability to run the machine of government. This, with Americans, is worse than Mr. Obama's rebranding as a leader who governs from the left. Americans demand baseline competence. If he comes to be seen as Jimmy Carter was, that the job was bigger than the man, that will be the end.

Which gets us back to the bow.

In a presidency, a picture or photograph becomes iconic only when it seems to express something people already think. When Gerald Ford was spoofed for being physically clumsy, it took off. The picture of Ford losing his footing and tumbling as he came down the steps of Air Force One became a symbol. There was a reason, and it wasn't that he was physically clumsy. He was not only coordinated but graceful. He'd been a football star at the University of Michigan and was offered contracts by the Detroit Lions and Green Bay Packers.

But the picture took off because it expressed the growing public view that Ford's policies were bumbling and stumbling. The picture was iconic of a growing political perception.

The Obama bowing pictures are becoming iconic, and they would not be if they weren't playing off a growing perception. If the pictures had been accompanied by headlines from Asia saying "Tough Talks Yield Big Progress" or "Obama Shows Muscle in China," the bowing pictures might be understood this way: "He Stoops to Conquer: Canny Obama shows elaborate deference while he subtly, toughly, quietly advances his nation's interests."

But that's not how the pictures were received or will be remembered.

It is true that Mr. Obama often seems not to have a firm grasp of—or respect for—protocol, of what has been done before and why, and of what divergence from the traditional might imply. And it is true that his political timing was unfortunate. When a great nation is feeling confident and strong, a surprising presidential bow might seem gracious. When it is feeling anxious, a bow will seem obsequious.

The Obama bowing pictures are becoming iconic not for those reasons, however, but because they express a growing political perception, and that is that there is something amateurish about this presidency, something too ad hoc and highly personalized about it, something . . . incompetent, at least in its first year.

It is hard to be president, and White Houses under pressure take refuge in thoughts that become mantras. When the previous White House came under mounting criticism from 2005 through '08, they comforted themselves by thinking, *They criticized Lincoln, too.* You could see their minds whirring: *Lincoln was criticized, Lincoln was great, ergo we are great.* But of course just because they say you're stupid doesn't mean you're Lincoln.

* * *

One senses the Obama people are doing the Lincoln too, and adding to it the consoling thought that this is only the first year, we've got three years to go, we can change perceptions, don't worry.

But they should worry. You can get tagged, typed and pegged your first year. Gerald Ford did, and Ronald Reagan too, more happily. The first year is when indelible impressions are made and iconic photos emerge.

Praying for Vietnam

BY MARAN TURNER

While praying one recent Saturday morning this month, Father Nguyen Van Ly collapsed on the floor unconscious. It was his second stroke in four months, and the combined effect has left him partially paralyzed. Father Ly experienced these two strokes not with loved ones near him, but alone in a prison near Hanoi.

The 63-year-old Roman Catholic priest is among Vietnam's most prominent imprisoned activists. For over three decades, he has fought for freedom of expression and religion—beliefs which led him to advocate for a multi-party democracy in Vietnam. In 2006, he co-founded Bloc 8406, a pro-democracy organization. The next year, he was convicted by a Communist Party court of spreading propaganda, and placed in solitary confinement. This is not Father Ly's first period of detention; he has spent more than 16 years in prison since 1977.

Father Ly's re-arrest underscores that Hanoi is backsliding on earlier progress on human rights; a trend that has intensified recently with the arrest of journalists, bloggers and human-rights activists who express any criticism of the one-party state. Among the political arrests this year was Le Cong Dinh, a prominent lawyer who had defended many activists before he was arrested in June.

The circumstances surrounding Father Ly's failing health is cause for great concern. His family, including siblings and nephews were not informed of the first stroke for more than a month after it happened in July. After his second stroke, Father Ly was taken to a hospital, where he is surrounded by five guards. While some family members have been admitted to his bedside, fellow priests have been turned away. This kind of seclusion is common for all political prisoners in Vietnam, but even more so for Father Ly whose ability to inspire others, even from prison, is extraordinary.

Father Ly's treatment has sparked concern well beyond the borders of his country. In July, 37 U.S. Senators sent a letter to President Nguyen Minh Triet, calling for Father Ly's release and inquiring about his health. Following news of his the two strokes, the U.S. government, as well as members of the Australian government, have repeated calls for Father Ly to be provided with medical treatment and ultimately released. Though Vietnam is frequently cited for its poor human rights records by the U.S. State Department, it appears on no formal watch list.

Father Ly's plight showcases Vietnam's persistent violations of basic human rights; violations that fly in the face of the country's integration into the broader international community in recent years. Hanoi could start to repair its reputation by releasing Father Ly on humanitarian grounds and permitting his family to provide for his medical needs. Such a move would not only show compassion, it would demonstrate commitment to the rule of law. It is incumbent on all countries who value human rights to raise Father Ly's case, and the cases of other political prisoners, more vocally.

Ms. Turner is the executive director of Freedom Now in Washington and international counsel to Father Ly.

Before Heading to China...

...Make sure you know what you're trying to do there

Agence France-Presse/Getty Images

CALLING ALL SHOPPERS: *A mall in Shanghai with Chinese and foreign stores*

By Garry D. Bruton, David Ahlstrom and Lu Yuan

If you're an executive under pressure to move business to China, think carefully before committing to a strategy.

Considering that China has undergone rapid and sustained economic growth over the past 30 years and today is the largest recipient of foreign direct investment in the world, it isn't surprising that many companies feel the need not only to respond to competition from Chinese-made products but also to enter and compete in the Chinese market itself.

The problem is, some businesses are rushing in without a realistic understanding of the opportunities presented by China and the trade-offs inherent in pursuing them.

While China has many strengths, its economic picture isn't as rosy as some might believe.

For example, China may be one of the world's largest economies, but it remains a poor, developing nation in terms of per-capita income, ranked around 100th globally last year.

The high-value exports coming from China are typically manufactured by Western-owned factories, not Chinese organizations, and the low labor costs that have driven much of China's economic growth are rising steadily amid labor shortages in the country's developed coastal region.

For these and other reasons, companies need to consider carefully what they hope to accomplish in China before making a big investment. Is the strategic goal to gain a competitive advantage by using China's low-cost labor to reduce expenses, or is the goal to be closer to multinational customers operating in Asia? Is the main priority to compete in China's domestic market or simply to source finished products from China?

To help companies think about a possible move into China, here is a closer look at four potential strategies.

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Choosing a Path

The Problem: Some companies are rushing to set up shop in China without giving careful thought to what they hope to accomplish.

Why It Matters: Although China has undergone rapid and sustained economic growth over the past 30 years, there are many challenges inherent in doing business there.

The Solution: Before making any big investment in China, firms need to settle on a strategy. Is the goal to compete in the domestic market, for example, or simply use the nation's low-cost labor to cut manufacturing costs?

Establish a Presence in China To Improve Supply-Chain Performance

Some companies want to incorporate China into their manufacturing and sourcing platforms to improve the performance of their global supply chains.

These companies are drawn to China not chiefly by its lower labor costs or the opportunity to compete in the local market.

Rather, they hope to benefit mainly by delivering products faster to Western customers operating nearby or by reaching a size in the region that allows them to achieve economies of scale.

These companies aren't typically committed to remaining in China: If their customers locate to another geographic region, they will, too.

The vast majority of China's export manufacturing comes from its coastal region of the Pearl River Delta (including Hong Kong), the Yangtze River Delta (Shanghai area), and Zhejiang province and the Bohai region (Tianjin and Beijing area).

Western managers should be aware that locating operations outside these regions could raise their costs—because transportation expenses remain high in China—and require far greater training of staff.

Move Manufacturing to China To Take Advantage Of Lower Labor Costs

Some companies are driven to establish manufacturing plants in China because they want to take advantage of the country's cheap labor and duty-free zones. The minimum wage in China is less than $1 an hour, compared with $7.25 an hour in the U.S.

This strategy may be of particular interest during an economic slump when businesses are being pushed to cut spending.

Like the first strategy, the companies taking this approach seek only to source products from China, not to compete in the local market itself. Many U.S. and European furniture makers have pursued this strategy to keep their costs low.

There is a trade-off, however, between employee skills and lower wages. A university degree doesn't necessarily mean the same thing in China as it does in the U.S.

For example, while China graduates more than 300,000 engineers a year, less than 10% are able to work at international engineering standards.

Thus, while salary costs in China often are lower, the skill level and the resulting quality and productivity levels are likely to be considerably lower for many vocations as well.

Compete in Local Chinese Market Based on the Strength of Brand

Some international companies see great long-term potential in China and want to compete in the domestic market. They decide to rely on their global network—often the power of their brand—to gain a competitive edge rather than competing on price.

Take Procter & Gamble Co., a major supplier of consumer goods in China. P&G relies on the fact that Chinese consumers perceive its products to be high quality, and thus value for the money. In general, international brands are welcomed by Chinese consumers because of their reliability.

However, Chinese consumers have lower incomes and live in tighter living spaces, so Western companies may need to reduce the size of the products they sell there.

Moreover, China's local markets are diverse in lifestyle, regulation and infrastructure. For this reason, Western companies selling goods or services in China may need to develop multiple marketing and distribution strategies, one for each region of the country they enter.

Compete in Local Chinese Market Based on Strength of Cheap Labor

Some companies seek to both make and sell products in China, using the country's cheap labor as a source of competitive advantage.

These companies tend to become insiders in the Chinese market, designing products and services specifically for Chinese locals. Yum! Brands Inc., for example, sells unique dishes such as snails that appeal to local tastes.

Managers pursuing this strategy should be aware that competition is intense in most local Chinese markets. Heavy government involvement in the economy has resulted in overinvestment and overcapacity in some industries.

At the same time, Chinese companies tend to overdiversify, meaning they will often keep a given business unit going rather than restructuring it. All of this leads to many industries having product prices below what seems reasonable.

The bottom line is that multinational companies need to take a more nuanced view of China before determining whether and how to exploit the opportunities available there.

Optimism is a good thing, but making decisions based on realistic information is better. ▦

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■ **The Seven Disciplines for Venturing in China**
By Ajit Kambil, Victor Wei-Teh Long and Clarence Kwan (Winter 2006)
Before investing in China, venture capitalists and private-equity investors need to take the time to understand the differences between Eastern and Western business practices.

■ **The Challenge for Multinational Corporations in China: Think Local, Act Global**
By Seung Ho Park and Wilfried R. Vanhonacker (Summer 2007)
To succeed in China, multinationals have to turn the aphorism "think global, act local" on its head. They must master the art of local operation, but their behavior must match their global standards.

■ **Strategies for Competing in a Changed China**
By Peter Williamson and Ming Zeng (Summer 2004)
The success of local companies is threatening multinationals' plans to conquer the China market. Global companies must respond by building new competencies in several areas.

Return to Sender

Yes, you hate product returns. But there are ways to use them to increase business and profits.

By J. Andrew Petersen And V. Kumar

Too many marketing managers, product returns are a bitter pill to swallow. After all, they can be an enormous drain on revenue. There's the money to be refunded to customers, plus the cost of repackaging, restocking and reselling the returned items.

But discouraging returns with policies like strict time limits or only partial refunds, as many retailers do, is a mistake.

That's because customers who know they can return anything they buy, no questions asked, for a full refund are likely to buy more than shoppers who are afraid they might get stuck with something they don't want or lose money on the return. They're also more likely to refer the retailer to other shoppers, broadening the company's customer base. In the end, the retailer with a liberal return policy comes out ahead.

A liberal return policy isn't the whole answer, though. Retailers can actively manage returns so that they become a tool to help maximize profit. That means encouraging fewer returns by some customers and more returns by others.

Just Right

Here's the key: For every retailer, there is an optimal rate of returns. Higher returns, up to a point, have been shown to result in higher future sales. So if the rate of returns is too low, the retailer is missing out on potential sales. But if the rate of returns is too high, the costs to the company outweigh the benefit of the increase in sales.

We studied six years of data from a large U.S. catalog retailer that sells apparel and accessories and has a liberal return policy. By analyzing the cost of returns to the company and the effect of returns on its sales, we determined that a 13% rate of returns would result in the greatest profit. The actual rate of returns in the period we studied was 16%. To maximize its profit, this retailer needed to decrease returns.

But how? A stricter return policy could actually shrink profits by depressing sales along with returns. Instead, retailers can steer their customers toward the optimal rate of returns without endangering sales, by understanding what factors drive returns and adjusting their marketing accordingly.

At the retailer we studied, for instance, we found that returns tended to be lower when shoppers bought items that were discounted. Returns also were lower when customers bought the same kinds of products they usually did but made the purchases from different distribution channels—online, say, instead of from a catalog.

Returns tended to be higher when shoppers bought new products from the distribution channel they usually used—shoes, say, from a catalog that they normally used to buy outerwear. And returns also increased when customers bought new products from unfamiliar distribution channels.

All of this information can be used by marketers to influence shoppers' return rates. For instance, if a customer has been returning products too often—in this case, over 13%—a manager could send this customer discounts on purchasing familiar products in an unfamiliar distribution channel.

Raising Sales

Suppose the customer normally purchases women's clothing from a brick-and-mortar store. The retailer could send this customer a coupon to shop online for women's clothing. The likely result: The customer will return a smaller percentage of her purchases.

Studies have also shown that consumers buy more when they're introduced to a new distribution channel. The retailer will have succeeded in nudging this customer toward the optimal return rate while increasing sales, not hurting them.

On the other side of the coin, if a customer is returning only a small percentage of products, say 5%, then the company may not be maximizing its profit from this shopper

. A manager could send this customer an incentive to buy new types of products. If the customer has been purchasing only men's clothing, the manager may send him a coupon to use in the outdoor or luggage department.

The shopper's venture into unfamiliar territory is likely to result in a higher rate of returns, but again it also is likely to boost sales. Of course, to find the appropriate new category to introduce the customer to, it's best to understand which types of products tend to be purchased by similar customers.

As an example of how not to manage returns, consider one common mistake this retailer made: The company used to send fewer catalogs to customers who returned products. Many retailers similarly shy away from continuing to invest in relationships with customers who send things back.

But in fact these people can be among their most valuable customers, if the retailers try to understand and influence their behavior. ▦

Making Lemonade

The Lemons: Product returns can be an enormous drain on revenue.

The Sugar: Returns can be actively managed so that they become a tool to help boost sales and maximize profit.

The Recipe: Retailers can steer their customers toward the optimal rate of returns by understanding what factors drive returns and adjusting their marketing accordingly.

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No More Executive Bonuses!

The problem isn't that they are poorly designed. The problem is that they exist.

By Henry Mintzberg

Dan Page

These days, it seems, there is no shortage of recommendations for fixing the way bonuses are paid to executives at big public companies.

Well, I have my own recommendation: Scrap the whole thing. Don't pay any bonuses. Nothing.

This may sound extreme. But when you look at the way the compensation game is played—and the assumptions that are made by those who want to reform it—you can come to no other conclusion. The system simply can't be fixed. Executive bonuses—especially in the form of stock and option grants—represent the most prominent form of legal corruption that has been undermining our large corporations and bringing down the global economy. Get rid of them and we will all be better off for it.

A Bankrupt System

Rigged Game: The current system of executive bonuses rewards senior managers whether they succeed or fail.

Half Measures: Plenty of proposals have been floated to reform the system.

Beyond Repair: Any reforms are doomed to fail because they rest on flawed assumptions— including using financial measures as the sole barometer of a firm's health.

The failings of the current system—and the executives who live by it—are painfully obvious. Although these executives like to think of themselves as leaders, when it comes to their pay practices, many of them haven't been demonstrating leadership at all. Instead they've been acting like gamblers—except that the games they play are hopelessly rigged in their favor.

First, they play with other people's money—the stockholders', not to mention the livelihoods of their employees and the sustainability of their institutions.

Second, they collect not when they win so much as when it appears that they are winning—because their company's stock price has gone up and their bonuses have kicked in.

Third, they also collect when they lose—it's called a "golden parachute." Some gamblers.

Fourth, some even collect just for drawing cards—for example, receiving a special bonus when they have signed a merger, before anyone can know if it will work out. Most mergers don't.

And fifth, on top of all this, there are chief executives who collect merely for not leaving the table. This little trick is called a "retention bonus"—being paid for staying in the game!

This may be nice work if you can get it, but it is awful work if you care about the sustainability of an enterprise. Who, playing such games, wouldn't take substantial risks? What's to lose? If more executives these days were as creative in doing their jobs as they are in getting compensated for them, we would be in a period of boom, not bust.

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Faulty Assumptions

Surely, you may be saying, there's a way to fix this system, to make bonuses work for corporate prosperity and economic security.

Plenty of people think so, as evidenced by all the suggestions for changing it. Even the U.S. Federal Reserve has weighed in, announcing a new plan to rein in bank compensation practices that encourage too much risk-taking.

But I believe that all these efforts are doomed to fail as well. That's because the system, and any proposals to fix it, must inevitably rest on several faulty assumptions. Specifically:

■ **A company's health is represented by its financial measures alone—even better, by just the price of its stock.**

Come on. Companies are a lot more complicated than that. Their health is significantly represented by what accountants call goodwill, which in its basic sense means a company's intrinsic value beyond its tangible assets: the quality of its brands, its overall reputation, the depth of its culture, the commitment of its people, and so on.

But how to measure such things? Accountants have always had trouble when they have tried, as have analysts, investors and even potential purchasers of the company. (That's one of the reasons so many mergers fail.) No board of directors is going to have much luck finding that elusive measure, either.

This flawed assumption, though, does far more damage than simply distorting CEO compensation. All too often, financial measures are a convenient substitute used by disconnected executives who don't know what else to do—including how to manage more deeply.

Or worse, such measures encourage abuse from impatient CEOs, who can have a field day cashing in that goodwill by cutting back on maintenance and customer service, "downsizing" experienced employees while others are left to "burn out," trashing valued brands, and so on. Quickly the measured costs are reduced while slowly the institution deteriorates.

■ **Performance measures, whether short or long term, represent the true strength of the company.**

For years, the idea was that a company's short-term performance represented its long-term health. The banks and insurance companies have pretty much laid that assumption to rest.

So now there is focus on trying to link bonuses with longer-term measures. Well, I defy anyone to pinpoint and measure such performance in any serious way and attribute it to one or a few executives.

How do you assess the long-term performance of a chief executive? Some proposals look at three years, others as many as 10 years. But can we even be sure of 10 years? Is a decade long enough in the life of a large company, with all its natural momentum? How many years of questionable management did it take to bring General Motors to its knees?

Conversely, if a company's stock price goes up and stays up for several years, does that signify the definitive success of the current chief executive? What if the previous CEO made some good decisions that later kicked in? Don't we all talk about the long-term influence of executive decisions? Have we forgotten about that?

■ **The CEO, with a few other senior executives, is primarily responsible for the company's performance.**

What if the CEO was lucky enough to have been in the right place at the right time? When it comes to a company's current performance, history matters, culture matters, markets matter, even weather can matter. How many chief executives have succeeded simply by maneuvering themselves into favorable situations and then hanging on while taking credit for all the success? In something as complex as the contemporary large corporation, how can success over three or even 10 years possibly be attributed to a single individual? Where is teamwork and all that talk about people being "our most important asset?"

More important, should any company even try to attribute success to one person? A robust enterprise is not a collection of "human resources"; it's a community of human beings. All kinds of people are responsible for its performance. Focusing on a few—indeed, only one, who may have parachuted into the most senior post from the outside—just discourages everyone else in the company. Sometimes, there is the impression that a forceful chief executive has turned around a troubled company. But how sure can we be that such a turnaround will be long-lasting? After all, so many of these supposed corporate resurrections eventually go sour.

Bad Signals

Put differently, executive compensation these days reinforces a class structure within the enterprise that is antithetical to its effective functioning. Because of its symbolic nature, executive compensation as currently practiced sends out the worst possible signal to everyone in the enterprise.

One alternative, of course, is to pay bonuses to everyone, perhaps according to their base pay. That solves one problem but not another: how to ensure that the goodwill is not being cashed in by everyone, collectively. Once again, who is to come up with the measures that assess performance correctly?

So, again, there is but one solution: Eliminate bonuses. Period. Pay people, including the CEO, fairly. As an executive, if you want a bonus, buy the stock, like everyone else. Bet on your company for real, personally.

Actually, bonuses can serve one purpose. It has been claimed that if you don't pay them, you don't get the right person in the CEO chair. I believe that if you do pay bonuses, you get the wrong person in that chair. At the worst, you get a self-centered narcissist. At the best, you get someone who is willing to be singled out from everyone else by virtue of the compensation plan. Is this any way to build community within an enterprise, even to foster the very sense of enterprise that is so fundamental to economic strength?

Accordingly, executive bonuses provide the perfect tool to screen candidates for the CEO job. Anyone who insists on them should be dismissed out of hand, because he or she has demonstrated an absence of the leadership attitude required for a sustainable enterprise.

Of course, this might thin the roster of candidates. Good. Most need to be thinned, in order to be refilled with people who don't allow their own needs to take precedence over those of the community they wish to lead.

People pursue the job of chief executive for all kinds of reasons: the prestige of the position, the sheer pleasure of heading up a major company, the chance to make a real difference to an institution they cherish, and, of course, remuneration. When push comes to shove, do you think pay is more consequential to these people than the other factors? All this compensation madness is not about markets or talents or incentives, but rather about insiders hijacking established institutions for their personal benefit.

Too many large corporations today are starved for leadership—true leadership, meaning engaged leadership embedded in concerned management. And the global economy desperately needs renewed enterprise, embedded in the belief that companies are communities. Getting rid of executive bonuses, and the gambling games that accompany them, is the place to start.

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JOURNAL VIDEO: If not bonuses, then what? How can companies compensate CEOs fairly? Henry Mintzberg speaks with the Journal's Erin White, at **WSJ.com/BusinessInsight**.

JOURNAL PODCAST: In addition to giving up their bonuses, what can or should CEOs do to boost morale at their companies? Mr. Mintzberg and Ms. White discuss that, at **WSJ.com/BusinessInsight**.

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By Henry Mintzberg, Robert Simons and Kunal Basu (Fall 2002)
A syndrome of selfishness, built on a series of half-truths, has taken hold of our corporations and our societies, and it must be challenged.

■ **When Bad People Rise to the Top**
By Terry Leap (Winter 2008)
Executives with impressive track records often become corrupt and tyrannical monsters as chief executives.

■ **Finding the Right CEO: Why Boards Often Make Poor Choices**
By Rakesh Khurana (Fall 2001)
How boards can avoid common pitfalls in CEO searches.

Trust Me

For entrepreneurs looking to gain credibility, it's often the little things that count

By Quy Huy
And Christoph Zott

How do you persuade people to trust you when you don't have a track record?

It's a question every entrepreneur faces—and it's especially critical these days as lenders and investors look for reasons not to hand over money. To figure out the answer, we interviewed key figures at 28 entrepreneurial ventures in the U.K., including founders, investors, board members, employees and customers.

What did we find out? Details matter. Many entrepreneurs are so focused on building the business or getting their product ready for market that they forget to do little things that send a message of credibility—such as making sure their Web site is polished and professional, or sending follow-up notes after a meeting with potential investors.

In our study, the most successful founders were masters at making symbolic gestures that signaled stability and credibility. They might hold meetings in upscale surroundings, for instance, or fill their Web page with testimonials from satisfied customers. Time and again, the entrepreneurs who practiced these tactics landed more funding than those who didn't.

A Signal Triumph

The Quandary: It's tough to persuade people to trust you when you don't have a track record—especially now that lenders and investors are looking for reasons not to hand over money.

The Missing Ingredient: Many entrepreneurs are so focused on building the business or getting their product ready for market that they forget to do little things that send a message of credibility.

Moves That Matter: In our study, the most successful founders were masters of symbolic gestures—from holding meetings in upscale venues to displaying industry awards on their Web site.

What's more, this advice isn't for entrepreneurs only: Executives from established companies could learn some valuable lessons here, as well. With investors more skeptical than ever, executives must use any resource to convince them that they can be trusted—no matter how trivial the tactics may seem to managers with long careers and long-existing companies behind them.

We found that there were four areas where the right symbolic gestures were vital. Here's a look at those crucial spots—and what executives in businesses of all shapes and sizes can learn from them.

Dr. Huy is an associate professor of strategy and management at INSEAD, in Fontainebleau, France. Dr. Zott is a professor of entrepreneurship at IESE, in Barcelona, Spain. They can be reached at reports@wsj.com.

Wesley Bedrosian

Personal Credibility

First and foremost, it's vital to reassure people that you are personally capable and credible. For entrepreneurs, the issue is: Are you the kind of person able to build a company? In an existing company, it's more: Are you the kind of person who can manage a complex project competently? How personally committed are you to the idea that you are proposing?

There are a number of ways to drive home the point.

Reveal yourself. Many businesspeople are reluctant to be specific about their personal history or interests in meetings. They may think it's irrelevant or inappropriate, for instance, or they may simply feel pressed for time. But the entrepreneurs who are successful know how to deploy personal details that will strike a chord with listeners.

How? They do homework before big meetings—such as researching a potential investor's history on a social-networking site—and during the meeting they're very attentive to body language and verbal signals. For instance, background research might show that you and a potential investor have a common interest in football. During the meeting, you might refer to a recent big game to underscore a point—and if the investor responds well to the reference, you might use more sports analogies when talking about your business.

This also applies to personal history. Disclosing critical details can make all the difference, such as a shared school affiliation or hometown, as well as a personal achievement. In our sample of entrepreneurs, for instance, all were graduates from the same top business school. But the ones who actually told potential investors proved most successful at attracting capital.

"I am sort of skeptical about M.B.A. qualifications," admitted one venture capitalist. "The fact [that he let us know] that he was from a prestigious business school did help."

Put your money where your mouth is. Some entrepreneurs take only token wages or forgo a salary altogether. This serves two purposes. On a concrete level, it keeps costs to a minimum or cuts them out completely, which is vital when money is tight. On a symbolic level, it shows a full commitment to a business and sends a compelling signal to potential investors. Consider this comment by one investor in our sample: "Anyone can make a good business plan, but it's got to be the people behind the business plan. It's got to be their commitment—that is what helps you make hard decisions about investing. It tells you that when the chips are down, these people are not going to jump ship. They're going to stay fighting."

A word of caution, though, for executives at existing companies: A $1 salary may be seen as a public-relations gimmick as much as a sincere expression of personal responsibility and passion for the business. Meanwhile, some experts worry about sending another negative message—the executive is wealthy and can take or leave the money.

The Company's Professionalism

Businesspeople also need to sell the idea that their project or company is professional. But how do you do that with few resources?

Keep up appearances. A professional look helps reassure investors that a company's structure and processes are stable. Businesspeople should make sure that everything they show investors—from presentations to business cards to Web pages—is thoughtfully prepared. As obvious as it seems, personal appearance counts, too. Executives would do well to invest in a professional wardrobe, and take some coaching in presentation skills. (Recalling his team's sloppy appearance at a failed meeting, one red-faced entrepreneur admitted, "We were just a bunch of clowns wandering around with PowerPoint presentations.")

Location, location, location. The old adage also holds true here: Executives should secure the most desirable spot possible for their offices. Of course, not everyone can afford this, but there are ways to save. For instance, some entrepreneurs in our study arranged to meet in impressive surroundings—such as fancy hotels—or they rented shared offices in tony neighborhoods. Again, this serves a twofold purpose. Practically speaking, it's cheaper than getting very expensive digs. It also has valuable symbolic meaning. As one entrepreneur explained, "When we asked why they had given us this chance, rather than some of our perhaps better-established competitors, they told us that they were so impressed that we were obviously a business of substance, because we had such a large, well-appointed office. They didn't know that we had a very, very small office, just in a large building."

Obviously, we're not advising a display of fake luxury—executives should not lie to potential investors, or go way beyond their means to make a better impression. What's more, before plunging into a deal for upscale offices, managers should be sure that their potential investors actually place a high value on this kind of display. For instance, they should ask other clients about the investors' preferences—as well as what their offices look like.

The Track Record

A common complaint among entrepreneurs in our study is that investors demand proof of some past accomplishment before they commit resources. But there's no way to get a track record without resources to develop an idea. The most successful entrepreneurs found ways to address this Catch-22 situation.

For example, rather than merely describing their product on paper, some entrepreneurs developed a prototype, or used controlled product demonstrations, to convey how the product might work. One investor who was won over this way told us: "This win happened when the business founder gave what I'll call a controlled demonstration. The demo looked really great."

Another company hadn't produced a single commercially viable product, but it had won industry awards for its technology development. So, it conspicuously displayed its awards on its home page as evidence of external recognition.

"Could we prove [OUR PRODUCT] worked in the marketplace?" the entrepreneur told us. "No, we couldn't, but we needed to get those external endorsements to help us."

For managers at an established company, a good strategy is to try to establish a series of modest wins and publicize these as symbols of achievement in a clear—but not conceited—way. A manager might try to win plaudits from customers by delivering top-notch customer service, for instance, and then place those testimonials prominently on the company Web site or in promotional material.

Emphasizing And Building Ties

Being associated with prestigious stakeholders can help elevate one's standing. One business founder explained how having two international companies partner with his travel venture gave him tremendous credibility, which was "absolutely critical" for obtaining funding. Later, he secured the backing of other high-profile investors and industry experts who joined the company's board—and they, too, became important symbols of prestige.

The founder mentioned these ties during presentations, and believed they helped him land sizable contracts. "The reason they think we can do it is they look at our board and they see some very big names on there now," he said.

Finally, it's critical to use symbolic gestures to build and strengthen relationships with stakeholders. Even seemingly small actions can make a difference. For instance, successful entrepreneurs often send flowers or inexpensive gifts with their corporate logo to serve as reminders of the company's reliability—and, even more fundamentally, the fact that the company is still in business. For executives at established companies, personalized emails or handwritten notes of appreciation to colleagues and employees can help them stand out from their peers.

As one of the founders said, "We try to influence the clients' selective recall. The way we do it is through small gifts like a pen or a ruler with our company name on it. People keep these things on their desk, and they use them. You may laugh at this, but the small things help people to remember us."

People seem to appreciate these gestures. One customer in our survey said, "Service is important, and [this company] attends to us as if we were their most important or only customer, and continues to do so."

Of course, none of these strategies should mean faking the way to success. We are not advocating cover-up actions, the way some companies selectively issue one-sided announcements calculated to drive up the price of their stock. With the business world reeling from so many corporate scams of this nature, once-bitten stakeholders will see right through any shallow maneuvers.

To be effective, each of these actions must be underpinned by authenticity. In other words, only promise what you can deliver. ▦

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IN DEPTH

Soviet's Afghan ordeal vexed Gates on U.S. troop-surge plan

Debate is surfacing on parallels between the American war on the Taliban and the Russians' war with the mujahedeen

Agence France-Presse/Getty Images

Gen. Stanley McChrystal, left, and U.S. Defense Secretary Robert Gates, center, with NATO Secretary-General Jaap de Hoop Scheffer at a meeting of defense ministers at NATO headquarters in Brussels in June.

By Yaroslav Trofimov
Kabul

THE FUTURE of the war in Afghanistan was on the line as Gen. Stanley McChrystal met with Defense Secretary Robert Gates in a secret rendezvous at a Belgian airbase in August.

Gen. McChrystal, the top Western commander in Afghanistan, pushed for more U.S. troops to roll back the spreading Taliban-led insurgency. Mr. Gates, officials say, was skeptical.

A quarter-century ago, he was a top Central Intelligence Agency officer aiding the anti-Soviet rebels in Afghanistan, and he remembered how a 1985 decision by the Soviet Union to widen that earlier war had failed to turn the tide.

In a speech to the nation Tuesday from West Point, President Barack Obama will announce his decision on a request by Gen. McChrystal for 40,000 more U.S. troops, to join some 100,000 Western soldiers already here. Washington is also prodding reluctant allies to send as many as 10,000 additional soldiers.

Debate inside the Obama administration on the troop increase has been intense, with Vice President Joe Biden cold to Gen. McChrystal's request and the U.S. ambassador to Afghanistan warning that such a surge would lessen pressure on the Kabul government to take over its own security. Mr. Gates's stance became a crucial factor in these deliberations. After initially challenging Gen. McChrystal to persuade him the result wouldn't mirror the Soviets' experience, the defense secretary is now backing a compromise of some 30,000 to 35,000 additional U.S. troops, close to the number likely to be endorsed by Mr. Obama.

Few American officials know the Soviets' bitter Afghan predicament better than Mr. Gates. In the 1980s, he was the deputy director of the CIA, overseeing a massive U.S. effort to fund, train and equip the Islamic insurgents, called mujahedeen, who fought the Soviet army to a standstill.

Now some of the most prominent of these insurgents, such as Gulbuddin Hekmatyar and Jalaluddin Haqqani, are allied against America with the Taliban and al Qaeda. Almost daily their men are killing Western troops, who often operate from former Soviet bases and use Soviet-drawn military maps with faint Cyrillic markings.

"It's an eerie sense of deja vu," said Bruce Riedel, a Brookings Institution scholar who headed the Obama administration's Afghan policy review in the spring and who in the 1980s worked under Mr. Gates as a CIA officer in the region. "America," he said, "is in the rare position of fighting the same war twice in one generation, from opposite sides. And it's easier to be the insurgents."

There are major differences between the two conflicts. For one, unlike the isolated Soviet Union, America operates in Afghanistan under a United Nations mandate, part of a coalition of 42 allies. Allied dead, currently 1,528, are barely one-ninth the Soviet toll. Afghan civilian deaths are a small fraction of the estimated one million killed in the 1980s.

Afghans who compare the two campaigns acknowledge the differences, yet argue that these aren't always in America's favor. An examination of this debate over the Soviet experience offers an insight into what American troops are up against—and the issues President Obama must weigh as he decides the course of an unpopular and costly war he didn't start.

Soviet leader Mikhail Gorbachev also faced a troop-increase request during his first year, for a war he had inherited. Soviet generals in 1985 asked for tens of thousands more soldiers to bolster their 100,000-strong contingent, roughly the same size as the current Western force in Afghanistan.

Mr. Gates, discussing that period in his 1996 memoir "From the Shadows," wrote: "The Soviets had to either reinforce or lose. Because they clearly were not winning." Gen. McChrystal used similar language in his recent warning about possible American "failure" in Afghanistan unless adequate resources are committed. Mr. Gorbachev ended up authorizing a small troop surge; 18 months later, he announced plans for a withdrawal.

The U.S. Army, in a 1989 secret "lessons learned" study of the Soviets' campaign, said they simply didn't have enough boots on the ground. "Insufficient forces were available to expand appreciably the area of physical control, or to identify and attack many insurgent targets at the same time," said the study, now partially declassified. "When major operations were conducted in one part of the country, forces had to be drawn from other areas."

Mr. Gates's knowledge of how the Soviet occupation and its brutalities inflamed local anger contributed to his initial skepticism about a U.S. surge. "I worry a great deal about the size of the foreign military footprint in Afghanistan," he told a Senate hearing in April. "Soviets were in there with 110,000 troops, didn't care about civilian casualties and couldn't win."

Gen. McChrystal, at his meeting with Mr. Gates in Belgium, managed to persuade the defense chief that the U.S., unlike the Soviets, is still welcomed by most Afghans. The

IN DEPTH

Comparing the Afghan wars

	SOVIET WAR	NATO WAR
When	December 1979 to February 1989 **(9 years, 3 months)**	Began October 2001; still ongoing **(8 years, 1 month)**
Troops (= 10,000 troops)	Up to **110,000** Soviet soldiers	About **68,000** U.S. and **40,000** NATO troops
International support	Only limited advisory personnel from other Soviet Bloc nations. No international mandate	Operating under a United Nations mandate. The coalition includes 42 countries, including some former Soviet republics
Casualties	**14,453** Soviet dead	**1,530** coalition dead (**928** Americans; **235** Britons)
Insurgents' weaponry	Stinger missiles, small arms, mortars and mines	Small arms, rockets and mortars, but no advanced anti-aircraft capability. Most casualties inflicted by improvised explosive devices and suicide attacks
Insurgents' backers	The U.S., Pakistan, Saudi Arabia, China, Egypt and Iran	Some elements of Pakistani establishment and Saudi financiers, but not Pakistani and Saudi governments

Photos by Associated Press

general argued that certain tactics such as using Afghan rather than American soldiers for house searches could further blunt perceptions of the U.S. as an occupier and put the momentum in America's favor.

"I take seriously Gen. McChrystal's point that the size of the footprint is [less important than] the nature of the footprint and the behavior of those troops and their attitudes and their interactions with the Afghans," Mr. Gates said in September after talks with military leaders.

Gen. McChrystal has explicitly addressed concerns about falling into Moscow's pitfalls. In his August assessment of the war, he quoted Abdul Rahim Wardak, President Hamid Karzai's defense minister, as telling the U.S.: "Unlike the Russians, who imposed a government with alien ideology, you enabled us to write a democratic constitution and choose our own government. Unlike the Russians, who destroyed our country, you came to rebuild."

Yet many Afghans, including some other cabinet ministers, are drawing parallels between the two foreign interventions, and the comparisons are not always this flattering.

In Afghanistan's dusty capital, dotted with blast barriers, talk of democracy is hard to square with widespread ballot-stuffing during Mr. Karzai's recent re-election. As for rebuilding, the middle classes here still aspire to live in Soviet-built neighborhoods of decayed housing blocks that would be an eyesore elsewhere but are luxurious by Afghan standards. Despite billions in U.S. aid since 2001 spent on roads, clinics and schools, there is little comparably prominent evidence of American reconstruction.

"What have the Americans done so far? They're only busy building their own military bases," said Mohammad Nassim, a 40-year-old Kabul resident, airing a frequently heard opinion.

In the 1980s, hundreds of Soviet civilian families lived in Kabul without much protection. Today, almost all Westerners here live behind in walled and guarded compounds and guesthouses. "Believe me, I miss those days of peace and security," said Hussain Jawad, a 48-year-old Kabul shopkeeper, of the Soviet period.

The occasional nostalgia for the past and anger at today's foreign forces don't necessarily lead to sympathy for the Taliban, a movement loathed by many Afghans, especially outside the ethnic Pashtun belt in the south and east. Afghanistan hasn't reached a point where a majority equate U.S. soldiers with the Soviets and back the rebels, said Farooq Wardak, who once was a guerrilla fighter against the Soviets and now is minister of education. "But," he added, "I'm afraid that, if no attention is paid to what's happening on the ground, we're moving toward that point."

Portraying Americans here as the new Soviets, of course, forms the very foundation of the Taliban world view. "Both superpowers wanted to impose by force their alien ideologies on our country—the Soviets socialism, and the Americans this strange phenomenon they call liberal democracy," Mullah Wakil Muttawakil, foreign minister of the Taliban government that was deposed in 2001, said in an interview. "These are outside ideas. And anything coming from abroad is resented and rejected here."

Mr. Gates takes such warnings seriously, cautioning about the dangers of al Qaeda and the Taliban gaining global momentum should the U.S.-led coalition fail here. Afghanistan "is the modern epicenter of jihad... where the mujahedeen defeated the other superpower," he said last month. "And their view is, in my opinion, that they now have the opportunity to defeat a second superpower, which more than anything would empower their message and the opportunity to recruit, to fund-raise and to plan operations."

The U.S. invaded in self-defense after Sept. 11, 2001; the Soviets had no moral high ground. Still, the story of Soviet involvement here is complicated. By most accounts, Soviet leaders were caught unawares in April 1978 when leftist Afghan army officers ousted the Afghan president, Mohammad Daud Khan. A now-declassified 1979 CIA memo reported "no convincing evidence" of Soviet complicity in the coup.

The new regime executed tens of thousands of suspected adversaries. But it was its social agenda—women's literacy, land reform and abolition of the dowry—that infuriated the conservative Afghan society and inflamed an Islamist insurgency. By late 1979, the new government had lost control over most provinces. Its president, Hafizullah Amin, repeatedly asked for full-scale Soviet help.

The Kremlin was wary, but it feared the rebellion could spread to Soviet republics. During Christmas 1979, Moscow finally acceded to Mr. Amin's intervention requests, though not in a way he imagined. Soviet commandos assassinated Mr. Amin, replacing him with the leader of a more moderate Communist faction, Babrak Karmal. Mr. Karmal appealed for national reconciliation and pledged to respect Islam. The Soviets expected to stay just a few months.

The reconciliation appeal went nowhere. Aiming to trap the Soviets in a Vietnam-like quagmire, the U.S. and an unlikely alliance ranging from Pakistan to Egypt to China to Iran rolled out a huge program to arm, finance and train the mujahedeen.

The Taliban enjoy nowhere near this backing, only a degree of mostly covert help from certain Persian Gulf financiers and parts of the Pakistani security establishment. "If we compare the two cooperations, today Pakistan is doing nothing," complains the Taliban's Mullah Muttawakil. Crucially, the Taliban have nothing like the Stinger antiaircraft missiles the U.S. supplied to the mujahedeen, downing hundreds of aircraft and offsetting Mr. Gorbachev's surge by denying air cover to Soviet troops.

Such skewed odds make it even more galling to some Afghans that vast chunks of their country have fallen under Taliban rule. "Considering that the insurgents are so poorly equipped, it's truly amazing that they've been able to extend the war to Kabul and to the north," said Sakander Zohori, who was chief of security for the southern city of Kandahar under the Afghan Communist regime.

The Karzai government fully controls only Kabul, the provincial capitals and a few other areas. Even the main supply roads north and south of Kabul are studded with Taliban checkpoints. All over the country, the Taliban run shadow local administrations, collecting taxes and dispensing justice. "There is a total lack of government authority in rural Afghanistan, which is similar to Soviet times," said Haroun Mir, director of the Afghanistan Center for Research and Policy Studies.

Like the Obama administration, which is frustrated by corruption and incompetence in the current Afghan government, Mr. Gorbachev quickly grew dissatisfied with his client in Kabul, President Karmal. Paving the way for withdrawal, Moscow replaced him with the pragmatic intelligence chief, Mohammed Najibullah, who offered a unity government with the insurgents while building an administration remembered by some here as relatively competent and clean.

Against all predictions, after the last Soviet soldier left in February 1989, Mr. Najibullah's government, instead of collapsing, went on the offensive. Scoring key victories against the rebels, it outlived the Soviet Union, unraveling only when Russian-supplied food and weapons ran out. Absent continuing American aid for the guerrillas, it could have remained in power much longer, many former mujahedeen say.

Few in Kabul expect the Karzai government would display similar longevity should Western forces go home. "Najibullah had the support of a strong and well-equipped Afghan army, air force and intelligence, and of a strong party," said Mohammed Mohaqeq, a powerful former mujahedeen commander who is a parliament member and a Karzai supporter. "I don't think we can even compare these two governments to each other."

—Peter Spiegel contributed to this article.

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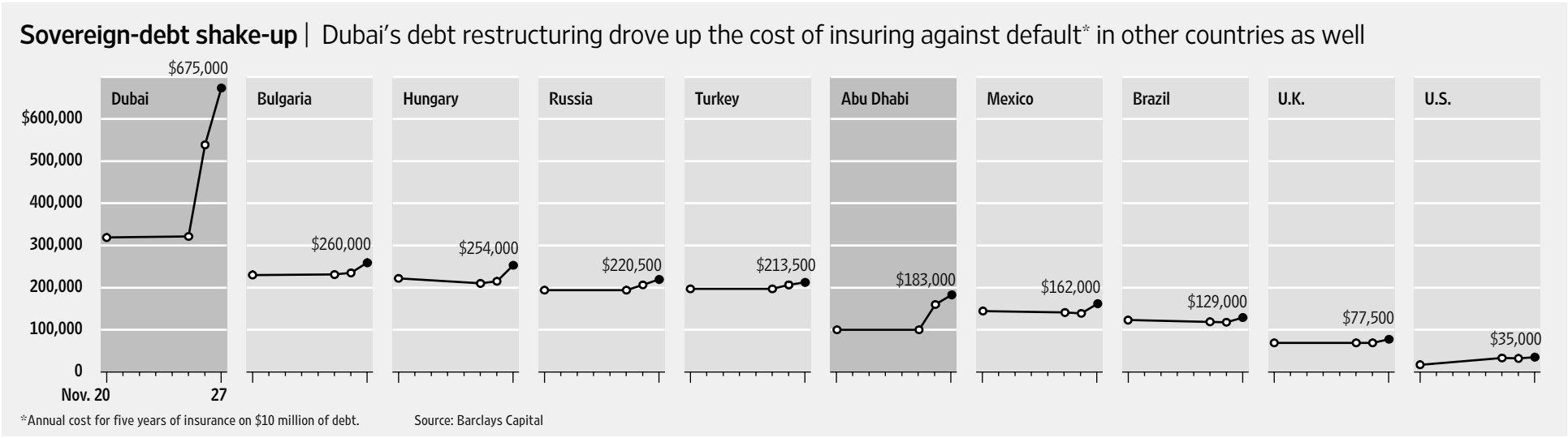
DUBAI DEBT FALLOUT



Dubai jitters infect other sovereigns

By Neil Shah And Chip Cummins

LONDON—Dubai's debt debacle is stoking a new fear for investors across the globe: potential government default by heavily indebted nations.

The Dubai government roiled markets last week with its move to delay debt payments owed by its flagship holding company, **Dubai World**. The company is stressed by tens of billions in debt that funded spending on glitzy real-estate projects from the Middle East to Las Vegas.

On Friday, investors feared Dubai's move would plunge global financial markets into the kind of chaos seen earlier this year. But while Asia suffered heavy losses, markets regained their poise as the European and U.S. trading day progressed. By late Friday, European stocks finished 1.2% higher, while in the U.S., the Dow Jones Industrial Average closed down 154.48 points, or 1.5%, at 10309.92.

Deeper stress lines were felt in the sovereign-bond market, where the cost of insuring against defaults in places like Hungary, Turkey, Bulgaria, Brazil, Mexico and Russia rose, fueled by concerns that emerging-market nations may have trouble honoring their debts even as the economy heals. The worry is that sovereign debt may now represent another aftershock of the global financial crisis.

"First, people were worried about mortgage debtors. Then, highly leveraged banks. Now the ball has rolled all the way to Dubai," said Mattias Westman, chief executive of Prosperity Capital Management, which has about $3.5 billion under management, almost all of it in Russia. "It's just a lack of confidence in debtors."

The price of a $3.5 billion sukuk, or Islamic bond, issued by a subsidiary of Dubai World, plunged to 57 cents on the dollar Friday from 110 cents on Wednesday, according to two investors.

Dubai's troubles resonate far beyond the desert fantasyland that its borrowing created, fueling concerns that financially stretched nations like Greece and Hungary may struggle to pay off debts.

Investors and analysts say they are worried about the health of Greece's indebted economy and banks, which could suffer as the European Central Bank moves to withdraw some of its financial-support measures. These measures have included ultracheap bank funding.

The gap between the yield on a Greek government bond and relatively safe German debt—a key gauge of market fear—jumped to a peak of 2.2% Friday, before falling slightly. When the pan-European Stoxx 600 index fell 3.3% Thursday, Greece's market fell twice that amount, over 6%.

Another window into the growing concern about government creditworthiness is the credit-derivatives market. Investors are now paying much higher prices to insure themselves against bond defaults in countries like Turkey and Bulgaria.

When Dubai announced its debt standstill Wednesday, the cost of insuring against a Dubai debt default more than doubled. The cost of debt-default insurance also rose for a range of countries, including Hungary, Brazil, Mexico and Russia.

While the cost of debt insurance for stressed countries hasn't hit levels seen at the height of the financial crisis, "the recent rises are altogether more sinister in our view, as they reflect genuine concerns about default within the euro-zone," said Steven Barrow, a currency analyst at Standard Bank in London, in a note Friday.

Dubai itself demonstrates how quickly countries can veer off the road to recovery and into trouble.

Dubai's surprise move to delay the debt payments of its corporate crown jewel, Dubai World, came just as many economic indicators, and anecdotal evidence, were pointing in a positive direction. Among the optimistic signs for the region: Oil prices have rebounded strongly this year after falling sharply during the global financial crisis. On Friday, oil sank 2.5% to $76.05 a barrel on the New York Mercantile Exchange as investors fretted over the impact of the Dubai debacle on the economic recovery, but that is still up significantly from its lows earlier this year.

At the same time, though, years of lavish, debt-fueled empire building is coming home to roost. The city-state was the epicenter of a dizzying boom in the Persian Gulf. Its ambitions also extended abroad: to golf courses in Scotland and South Africa; the Barneys department store chain in New York; and real estate in Las Vegas, where in 2007 it joined up with casino company MGM Mirage to develop an $8.5 billion condo, hotel and retail colossus called CityCenter—just as the Vegas real-estate market reached its peak.

The oil-fired investment and spending binge culminated in 2008 when crude hit more than $140 a barrel. But by the time of Dubai's biggest bash later that year—a $20-million hotel opening on a man-made palm-shaped island developed by Dubai World's property subsidiary—the global financial crisis was already washing ashore.

According to the Association for Consultancy and Engineering, a trade group of British builders, Dubai entities owe as much as £200 million ($329 million) to British contractors alone.

Even after hundreds of projects were canceled or postponed this year, new construction is expected to double Dubai's supply of office space by 2011, according to property consultancy Colliers International. In a sample study, the consultancy found office-occupancy rates in recently finished buildings at just 41%. At the end of the third quarter, prices of office space were down by 58% from a year ago.

U.A.E. central bank intervenes in Dubai debacle

Continued from first page

months have raised funds aggressively on global debt markets.

At one point Thursday, some Abu Dhabi bond holders saw the cost of insuring against a default leap by 40% on the Dubai news. The announcement also slammed U.A.E. banks, both in Dubai and Abu Dhabi, among the biggest lenders to Dubai and its corporate entities. Credit agencies have put several on watch for possible downgrades.

The handling of the announcement triggered "absolute dismay" among federal officials, according to one person familiar with the situation. A spokesman for the federal government in Abu Dhabi declined to comment.

The confusion has been compounded by a lack of transparency from Dubai over the standstill request. A spokesman for the Dubai Department of Finance, which issued the standstill statement, said he couldn't comment beyond the statement.

A Dubai World spokesman declined to comment on when the company first informed bond holders about the standstill request. Late Thursday night, after two days of global market carnage, Sheikh Ahmed bin Saeed Al Maktoum, a senior Dubai finance official and the chairman of Emirates airline, said in a statement that the standstill announcement had been carefully planned and promised more details this week.

"This is a sensible business decision," he said in the statement.

The Wednesday standstill announcement appeared to represent the latest in a string of missteps and half measures by Dubai's leader, Sheikh Mohammed bin Rashid Al Maktoum, and his small coterie of economic advisers as they struggled to deal with the fallout of the global economic crisis swirling around them.

At the start of the 20th century, Dubai was little more than a pearl-trading center and regional entrepot. An oil discovery in the 1960s triggered a burst of infrastructure spending, but by the next decade it was clear that its limited oil resources wouldn't last forever. Dubai's ruling family created other opportunities, at one point building the region's largest port and investing in tourism and transportation.

When Sheikh Mohammed took over as crown prince, he assumed effective control of the emirate's economic development. He organized the city-state's economy around state-owned conglomerates, picking loyal deputies to head each one.

Sultan Ahmad bin Sulayem, the son of a close adviser to Sheikh Mohammed's father, led Dubai World, the government-owned ports and real-estate conglomerate. Two other high-profile deputies took charge of the ruler's personal investment vehicle, Dubai Holding, and Emaar Properties PJSC, a partly government-owned developer.

Dubai officials were slow to grasp the global downturn's implications for the real-estate market at home.

The three competed against each other for ambitious projects and capital, tapping local and global banks that were eager to lend amid an oil-fired regional boom. Dubai World's property arm built a palm-tree-shaped island dotted with luxury hotels and villas and started dredging two others.

Emaar built the world's tallest skyscraper. Even as the debt piled up at these companies, bankers and credit analysts assumed government support from Sheikh Mohammed—and from the federal government in Abu Dhabi—if they ever overextended.

In 2007, Dubai World listed part of its ports operation on a new Dubai exchange, raising just under $5 billion in the Middle East's largest IPO. The same year, Dubai World joined up with MGM Mirage in Las Vegas's $8.8 billion CityCenter casino development. A private-equity arm of the group won a bidding war for Barneys New York. And Dubai's stock exchange bought Nordic exchange OMX, in a deal that gave it big stakes in the Nasdaq stock market and the London Stock Exchange.

When the global financial crisis hit the next year, the value of these assets deflated. But Dubai officials were also slow to grasp the implications for its speculative real-estate market at home.

With global credit frozen, international property investors pulled out. In November, prices started to fall for the first time in years.

Unease over Dubai's debt turned into global concern, and the cost of insuring Dubai debt against default started to rise sharply. In late 2008, Mohamed Alabbar, the chairman of Emaar, the property developer, took charge of a committee to assess Dubai's vulnerability to the crisis.

At the time, he said Dubai would simply throttle back property development to prevent a supply glut. Dubai also announced one of its sovereign funds would start buying domestic real estate, another attempt at propping up the market. Debt wasn't a worry, officials said.

"The government can and will meet all its debt obligations going forward," Mr. Alabbar told an investment conference in November. A spokesman for Mr. Alabbar said Sunday that he was out of the country.

But real-estate prices continued to drop. Developers, many of them state-owned, saw their cash flow disappear. Buyers, who could put as little as 10% down, stopped paying installments. Builders started complaining about missed invoices.

Finally, bond investors started hammering Dubai debt. In early February, the cost of insuring against Dubai default briefly eclipsed that of Iceland.

—Mirna Sleiman, Maria Abi Habib and Margaret Coker contributed to this article.

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Bank stocks favor slow recovery

Financial shares have benefited from low interest rates, leaving investors to guess when the Fed might move again

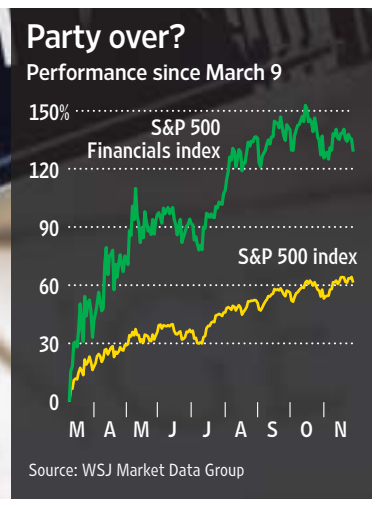
By Tom Lauricella

Financial stocks have been the place to be during the stock market's rebound. But that bet looks easy compared with what interest rates could unleash if they start heading higher next year.

Since the market bottomed out in March, financial stocks in the Standard & Poor's 500-stock index are up 136%, more than double the index's gain of 63%. Among major banks, the rule of thumb has been the sicker, the better. **Bank of America** has soared 313%, while **Citigroup** is up 287% from March 9 through Friday.

ABREAST OF THE MARKET

Associated Press



Much of the resuscitation from the near-death experience felt by financial stocks came from cheap money, chiefly low short-term interest rates as part of the U.S. government's support of credit markets.

Now that the economy is improving, investors are divided over when the Federal Reserve will increase short-term interest rates—and what that would do to the bottom line at banks that have roared back to record profits in some cases.

The good news about higher interest rates: They would portend a likely decline in loan-loss provisions as more borrowers get back on their feet and back to work. The bad news: For at least some banks, rising rates would squeeze net interest margins, or the gap between short-term rates at which banks borrow and long-term interest rates at which they lend.

Many investors are betting the Fed will keep short-term interest rates unchanged at least through the second half of 2010—and then raise them only gradually.

The risk is that Fed Chairman Ben Bernanke raises rates sooner and faster, compressing the gap between short- and long-term interest rates. That could happen if, for example, the Fed has to stave off a steep decline in the dollar.

"If for some reason Bernanke was forced to raise interest rates early next year, and suggests it will continue, that singlehandedly could negatively affect bank stocks," says Gerard Cassidy, a bank analyst at RBC Capital Markets. Still, he expects the interest-rate environment to remain supportive for banks, citing Bank of America and **KeyCorp** as likely outperformers.

Higher rates probably would saddle banks with losses on bond holdings. Banks with exposure to commercial real-estate loans also could be big losers, since many of them put off potential defaults among commercial real-estate borrowers by simply extending loans at the current rock-bottom interest rates.

"Without the low level of interest rates, that wouldn't be able to happen," says Jeff Arricale, manager of the T. Rowe Price Financial Services Fund. His top five holdings as of the end of October included Bank of America, **Goldman Sachs Group** and **J.P. Morgan Chase** & Co. He also likes regional banks, such as KeyCorp and **Wilmington Trust**.

If interest rates simply rise across the board, some banks could benefit. Many banks have 20% or so of their assets funded with non-interest bearing deposits, says John McDonald, a senior research analyst at Sanford C. Bernstein. In those cases, higher interest rates translate

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Three investment banks vie to make a splash in Asia

[Asia Deal Journal]

By Nisha Gopalan

HONG KONG — Ask headhunters nowadays and they'll tell you that in Asia's investment-banking scene, there are only three banks that are making any significant moves now.

Barclays PLC and **Standard Chartered** PLC—both British, with the latter firmly ensconced in Asia and the former looking to build its reputation there—have gone on a hiring spree in recent months and scooped up a number of notable names from weakened rivals as they push to build out full-service investment banks. Underscoring the trend, they are shopping for more office space in the Asian financial hub of Hong Kong while others pare back.

Add to that **Daiwa Securities Group** Inc., a Japanese brokerage firm with a quiet regional profile. Daiwa, Japan's second-biggest brokerage in terms of assets after Nomura Holdings Inc., said last week that it wants to be an Asia-focused investment bank and is looking to hire up to 470 people in the next two to three years.

For Daiwa, the expansion is in its early days. For the British banks, aggressive hiring moves have already paid off in a number of new Asian deals, showing how upstarts can challenge the traditional giants in times of upheaval. The test will be whether they can continue that streak.

It's a long way to the top. In the league tables that investment bankers watch so closely, Barclays is in 18th place for equity capital markets transactions in Asia-Pacific, which include initial public offerings, according to Dealogic. That's up from 52nd last year. Standard Chartered is at 32, down from 27 last year. Outside Japan, Daiwa's joint-venture broker business is ranked 81st. (For those keeping score, No. 1 is Swiss bank **UBS** AG.)

Barclays Capital, as the investment-banking arm of Barclays is called, and Standard Chartered have been offering aggressive salaries, with some bankers getting multiyear guarantees on bonuses. They have more flexibility than some rivals,

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GM's Saab lures new interest

By John D. Stoll And Ian Edmondson

Officials with **General Motors** Co.'s Saab unit said the brand has received serious expressions of interest from potential buyers since Tuesday's collapse of a deal to sell the Swedish car maker to **Koenigsegg Group** AB.

Saab Automobile AB officials are now racing to build a case for GM's board and its chief executive to keep Saab alive, a spokesman said.

Saab has held talks since Tuesday with at least two U.S. investment firms, Wyoming-based **Merbanco** LLC. and Ira Rennert's **Renco** Group Inc., according to several people familiar with the matter. At least one of those firms would be open to working with **Beijing Automotive Industry Holding** Co., a Chinese company that had planned to partner with Koenigsegg.

"We've had intense dialogue with potential buyers," Eric Geers, a Saab spokesman, said Friday. He said Saab's management team, headed by Jan-Ake Jonsson, is preparing a presentation for GM's board that lays out the company's options.

Mr. Jonsson's case to save Saab will be bolstered by comments from Swedish government officials on Friday indicating they remain ready to act as guarantor on €400 million in loans ($594 million) from the European Investment Bank. Sweden will send a delegation to Detroit to meet with GM officials this week.

Getty Images

Ira Rennert, head of Renco Group

GM's board is to begin its regular monthly meeting Monday evening, and a decision about Saab's future could be made public by Tuesday. GM's post-bankruptcy-court restructuring plan included selling, closing or fixing several of the company's auto brands.

Saturn and Pontiac are slated for closure, while Hummer is in the process of being sold to a Chinese machinery maker. Chief Executive Frederick "Fritz" Henderson had planned to sell control of Opel and Vauxhall in Europe. But the board reversed course earlier in November and decided to keep it, and GM is now talking with several European nations about obtaining state aid.

For Saab, the board will rely heavily on Mr. Henderson's guidance, one person close to the matter said. Earlier in the year, Mr. Henderson decided GM's capital constraints meant keeping Saab was unrealistic. It is unclear whether he has a preference for engaging in talks with another buyer, or abandoning the brand once and for all.

Mr. Geers declined to comment on specific names of interested Saab buyers. Merbanco founder Christopher Johnston declined to comment on negotiations and a Renco spokesman couldn't be reached. Beijing Auto has said it will cautiously evaluate its position following the collapse of the Koenigsegg deal.

The interest from both Merbanco and Renco is predicated on the EIB loans and Swedish backing, the people briefed on the matter said. Sweden's plan still awaits European Commission approval.

Merbanco was a contender for Saab earlier in the year but fell out of the running as Koenigsegg pulled ahead. In the tight-knit Saab enthusiast community, Mr. Johnston is known as a strong advocate for the brand who believes it can survive as a smaller competitor on the global scene, thanks to a rich heritage and image as quirky and avant-garde.

Renco, which also expressed interest in Saab earlier in the year, is known for picking off troubled industrial companies. Among its hold-

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Black Friday spending rises slightly

Aggressive sales lure hordes of U.S. shoppers, but they're slow to open wallets; electronics demand appears firm

A Wall Street Journal Roundup

Mustafah Abdulaziz for The Wall Street Journal

Shoppers hit stores early Friday, and there were signs of stronger online sales. A customer balanced his purchases at Macy's flagship store in New York City.

Shoppers returned to malls in the U.S. Saturday as observers began reviewing early reports showing just how much consumers spent during their Black Friday shopping trips.

The weekend's first spending data for the day after the Thanksgiving holiday showed shoppers spent only slightly more in stores this Black Friday than they did last year.

Fresh signs of much stronger online sales during the traditional holiday shopping kickoff mean more might have shopped from home. Preliminary sales data showed shoppers spent $10.66 billion on Black Friday. That's 0.5% more than last year.

The figures were compiled by ShopperTrak RCT Corp., a Chicago research firm that tracks sales at more than 50,000 stores. Web marketing analyst **Coremetrics** said its data showed the average amount online shoppers spent on Black Friday rose 35% as shoppers spent roughly $170.19 an order—up from $126.04 last year. The San Mateo, Calif., company also said Web shoppers also bought more items with each purchase.

Black Friday also saw greater use of mobile phones by consumers to zero in on and make purchases, industry data reviewed by Dow Jones show.

From a very small base last year, mobile online payments through PayPal surged nearly 650%, said Amanda Pires, senior director of marketing at the online-payment service.

PayPal is a unit of eBay Inc. and is also used by about half of the top 100 online retailers, including Wal-Mart Stores Inc., Best Buy Co. and Sears Holdings Corp.

Electronics appeared to be the early winner, with discounters doing well early and door-busters bringing in big crowds.

At higher-end department stores, the crowds were thinner Friday and consumers seemed to be more interested in buying less expensive items.

Best Buy Chief Executive Brian Dunn said early reports from the electronics retailer's stores indicate shopper traffic is up over last year and that shoppers are in a buying mood.

"I have been getting updates all morning, and our crowds—first in the East and then within the Central part as those stores opened up—were materially bigger than last year, and the West Coast reports, too, are the same," Mr. Dunn said in an interview. "We are definitely seeing a lot of shoppers."

Mr. Dunn wouldn't comment more specifically on sales trends so far, but he reiterated his belief that Best Buy has planned inventory and promotions well for the holiday. Last year, retailers had too much inventory and had to make deep discounts as they approached Christmas, he said. But this year, Best Buy has more opportunity to "strategically build our inventory in places that matter to the consumer," he said.

Macy's Inc. Chief Executive Terry Lundgren said early indications of traffic and sales on Black Friday were pointing to "very good signs" to the holiday shopping season, adding that more than 5,000 customers waited outside of Macy's flagship store on 34th Street in New York City before it opened at 5 a.m.

"So far it's encouraging," Mr. Lundgren said. "We pull out all stops. As long as it's got great perceived value, consumers are buying. ...Our marketing is so clear and obvious that you don't have to wait till the end of the season."

Macy's may have had an initial early morning rush Friday, but at 6 a.m. salespeople in several departments said the crowd was not as big as they had expected, with one citing the recession and online competition as potential causes.

At upper-end **Saks** Inc. flagship Fifth Avenue store, the hottest items weren't couture, but candy. The retailer was offering sweets, knick-knacks and Christmas ornaments for as much as 50% off, and customers were grabbing them, with the Godiva stand needing a full refilling before 11 a.m.

At teen retailers, less expensive stores like **Aeropostale** Inc. were seeing dense crowds, with just about every item 50% off in the early going. But stores that didn't have screaming discounts saw people pass right by.

"Consumers are not only looking for deals this year, but promotions must zero in on what they want," said Bryan Eshelman, managing director of the retail practice at consulting firm **Alix Partners**. "General discounts just don't seem to be doing it."

A survey by Alix Partners noted that 88% of consumers planned to spend the same or less than last year, with over half saying they would wait for the right discounts.

Still, stores are better positioned this year. Many have cut their per-store inventory by double-digit percentages, while predicting flat to down sales. That suggests retailers "are making profitability a priority over sales this year," Mr. Eshelman said.

Toys "R" Us Inc. Chairman and Chief Executive Jerry Storch said the retailer's stores have had big crowds on Black Friday, with electronics a big hit, and while it's early to talk about sales results, "so far we're pleased."

"We averaged over 1,000 people [per store] waiting in line, and we've been doing brisk business ever since," Mr. Storch said in an interview. "This is a Toys "R" Us time of year."

Mr. Storch said electronics, particularly the retailer's $199.99 iPod touch, which came with a $50 gift card, have been a big draw. Legos, **Crayola** products, Bakugan and Barbie are also among the hottest items, he said.

Standing among the first 10 people in line before midnight at a Toys "R" Us in Concord, N.C., Tammy Mimick was almost certainly guaranteed one of 100 Zhu Zhu pets at the store, thanks to her three-hour wait for doors to open at midnight.

She usually starts her Christmas shopping on Black Friday, although it's been years since there was something she wanted bad enough to battle the hard-core early birds. This year, she said, "The deals were too great" before Thanksgiving, so she's been buying for weeks. "I'm done except for Zhu Zhu pets," said Ms. Mimick.

Lisa Crutchfield was up from Atlanta visiting relatives near Charlotte and decided to brave the crowds with them at Toys "R" Us. "I'm on a single mom's budget so I'm here for the 50% off items," said the insurance administrative supervisor.

—Mary Ellen Lloyd, Sharon Terlep, Andria Cheng and Ann Zimmerman contributed to this article.

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Corrections & Amplifications

Zou Ji is the China Country Director of the World Resources Institute. A page-one article about China's climate change policy in the Friday-Sunday edition misspelled his surname as Zhou.

BUSINESS & FINANCE

San Miguel stake is sold

Investors pay $1.37 billion for 28% as conglomerate transforms

By James Hookway And Cris Larano

San Miguel Corp.'s retirement fund sold a 28% stake in the Philippine conglomerate on Friday to a group of friendly investors known as **Top Frontier Investment Holdings** Inc. for $1.37 billion, as the Southeast Asian brewing giant continues its transformation to a more-diversified power and telecommunications company.

San Miguel President and Chief Operating Officer Ramon Ang said in an interview that the deal, valued at 64.28 billion pesos, "represents a vote of confidence in the strategy of our company."

Over the past two years, San Miguel has been acquiring stakes in power and telecommunications businesses and separately listed its brewing unit, San Miguel Brewery Inc., on the Philippine Stock Exchange. Mr. Ang and Chairman and Chief Executive Eduardo Cojuangco Jr. aim to turn the company into a major industrial conglomerate by using its strong cash flow from the brewing business to enter other, potentially higher-growth business that can expand more aggressively when the global economic recovery picks up pace.

Equity analysts said Friday's deal indicates that at least some outside investors agree with the strategy, and could shore up shareholder support for the company's management as they pursue San Miguel's transformation. Top Frontier's main shareholders are former Philippine Finance Minister Roberto Ongpin and businessman Jose Campos, close business allies of Mr. Ang.

Mr. Ongpin said in a statement that even though Top Frontier is entitled to five board seats in San Miguel, the investment holding company decided not to alter the current composition of the conglomerate's board of directors.

"They have longstanding relationships in other ventures," said Astro del Castillo, managing director at First Grade Holdings, who played down suggestions in the market that a takeover attempt was under way.

Mr. Ang said San Miguel was "very happy" about the transaction, which priced San Miguel Corp. shares at 75 pesos a share—a premium of 14% on its closing price of 66 pesos on Thursday. San Miguel shares rose 4.5% to close at 69 pesos a share on Friday.

Part of the rally was attributable to the possibility of a tender offer for San Miguel shares. Mr. Ongpin said he had begun talks on consolidating the Top Frontier shares with those of his partners in another company, **Q-tech Alliance Holdings** Inc., which recently bought a 20% stake in San Miguel. That would create a combined stake of 48%, and trigger a tender offer under local law for the rest of San Miguel's shares. Mr. Ongpin owns 20% of Top Frontier and 30% of Q-tech. People familiar with the deal say he has long coveted a large stake in San Miguel, one of the Philippines' best-known businesses.

"Our investment in San Miguel Corp. is a clear indication of our trust in the business and the current management," Mr. Ongpin said in his statement, and added that Top Frontier will fund its acquisition through a combination of equity and foreign borrowing.

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Lenovo to buy back handset manufacturer

HONG KONG—**Lenovo Group** Ltd. said Friday it plans to buy back Lenovo Mobile Communication Technology Ltd., a mobile handset maker founded by the Chinese personal-computer maker in 2002, for $200 million in cash and shares.

Lenovo Mobile operates mainly in China. Lenovo agreed to buy the business from a group of investors led by the private-equity arm of Lenovo's parent, **Legend Holdings** Ltd.

Lenovo decided to withdraw from the mobile market in 2008, and sold the handset unit for $100 million. But Lenovo said that since 2008, Lenovo Mobile has improved its financial position. Lenovo Chief Executive Yang Yuanqing said the company plans to offer handset products under the Lenovo brand.

Shell, Petrochina launch Sichuan shale gas project

By David Winning

SHANGHAI—China has started its first joint development project in shale gas, in a bid to tap into an unconventional source of cleaner-burning fuel to meet the nation's rising demand.

Energy major **Royal Dutch Shell** PLC and China's top listed gas producer **PetroChina** Co. have signed an agreement to jointly develop shale gas resources in southwestern China's Sichuan province, **China National Petroleum** Corp. said Friday.

The agreement to jointly evaluate shale gas in the Fushun-Yongchuan block was signed Nov. 10 in Beijing, the state-owned parent company of Hong Kong- and Shanghai-listed PetroChina said in a report on its Web site.

Shell China spokeswoman Li Lusha confirmed the agreement, adding it came after PetroChina and Shell had successful cooperation in gas production in the Changbei gas field in Shaanxi province.

This marks the nation's latest effort to tap shale gas resources after the launch of a Sino-U.S. Shale Gas Resource Cooperation Initiative earlier this month during U.S. President Barack Obama's first state visit to China.

The initiative is expected to assess China's shale gas potential through joint technical studies with reference to American experience with shale gas. Development of shale gas in China lags far behind the U.S. where it is a major contributor to the energy mix.

Shale is a sedimentary rock composed of very small particles of clay, mud, and sand. It has a low permeability, meaning that it releases trapped gas very slowly, and can be expensive to develop.

Developing shale gas resources in Sichuan basin has much further room for foreign cooperation, and could potentially alleviate tight gas supplies faced by China, CNPC said.

Beijing wants natural gas to account for 10% of the nation's energy mix by 2020, up from 3% in 2005.

Cold, rainy and snowy conditions since early November have led to soaring gas demand and severe shortages across China.

Shell has a joint venture with PetroChina on the Changbei natural-gas field in northwestern China, which was pumping 10 million cubic meters of gas a day as of September 2008, according to the latest data immediately available.

But Shell, which set up its office in Beijing in 1980, has so far experienced a bumpy road in developing unconventional energy resources in China.

Lim Haw-Kuang, executive chairman of Shell China, said in April that because of the economic downturn, the company had decided to postpone a joint venture with Shenhua Group, China's top coal producer, to turn coal into liquid fuel.

Shell executives have also said they won't pursue a foray in northern China into oil shale, a costly and technologically challenging type of oil to produce, even as the firm seeks the technology elsewhere.

—Jing Yang contributed to this article.

CORPORATE NEWS

Tata Motors swings to a small profit

Cost cuts and sales boost auto maker

By Anirban Chowdhury And Santanu Choudhury

NEW DELHI—**Tata Motors** Ltd. Friday moved to a consolidated net profit for its second quarter from a net loss a year earlier as it sold more vehicles and cut costs at its Jaguar-Land Rover luxury-car unit.

India's largest auto maker by sales posted a consolidated net profit of 217.8 million rupees ($4.6 million) in the three months that ended Sept. 30, compared with a net loss of 9.42 billion rupees a year earlier, the Mumbai-based company said.

Consolidated net sales fell 8.5% to 208.89 billion rupees from 228.25 billion rupees.

The numbers included earnings figures of its U.K.-based premium-car brands, Jaguar and Land Rover, acquired in June last year from Ford Motor Co. for $2.3 billion.

"Most of the cars sold during the quarter were higher-margin cars, which is why the fixed marketing costs got reduced," Chief Financial Officer C. Ramakrishnan told a news conference. "Many of the cost-reduction measures under way in JLR should benefit us in coming quarters."

Tata Motors' profitability got a boost also from a 13% decline in costs of raw material such as steel to 119.30 billion rupees.

The company—part of the steel-to-software conglomerate **Tata Group**—had a consolidated operating profit of 15.92 billion rupees in the July-September quarter, a 1.1% rise from a year earlier.

Tata Motors attributed the second-quarter profit to "strong revival of the Indian operations," which posted an operating profit of 10.65 billion rupees.

The Jaguar-Land Rover business recorded an operating profit of £41.29 million ($68.2 million), as sales to dealers grew 23% sequentially during the quarter to 44,300 vehicles.

Jaguar-Land Rover had said in September it would close one of its two plants in Birmingham, England, in the next five years.

The company has cut annual production by 100,000 vehicles in the past year, slashed 2,500 jobs, frozen pay and scrapped bonuses amid a slowdown in demand.

Tata Motors said the automobile business is witnessing some stability, with some key markets showing signs of a revival.

The company said its Jaguar-Land Rover unit continues to witness strong demand for vehicles introduced this year, including the upgraded Range Rover, Range Rover Sport and Discovery 4.

Geely claims deal with Ford on Volvo rights

By Patricia Jiayi Ho And Jeff Bennett

BEIJING—China's **Zhejiang Geely Holding Group** Co. said Friday it had reached a deal with **Ford Motor** Co. on intellectual-property rights in its bid for the U.S. company's **Volvo** unit.

An agreement with Ford would mark a significant step forward in talks between Geely and Ford. Resolving intellectual-property rights has been a key stumbling block. Geely, one of China's largest auto makers, said it remained the preferred bidder.

"Volvo will be able to use Ford's IPR that is needed for [it] to continue its existing business plans," it said in a statement.

Through the Volvo purchase, Geely would own the intellectual-property rights to Volvo's key technologies, including those related to safety and the environment, the Chinese auto maker said.

John Gardiner, a Ford spokesman, said any final agreement would take into account the rights and protection of the engineering, manufacturing and supply relationship between Ford and Volvo.

In October, Ford tapped Geely as the preferred bidder for Volvo. However, intellectual-property-rights issues were a main dispute between the two sides, a person familiar with Geely's stance said earlier this month.

Reuters

AvtoVAZ, which is 25%-owned by Renault, was hit hard by Russia's auto-sales slump. Above, an assembly line at AvtoVAZ's Togliatti factory in September.

Renault, Russia to aid car company AvtoVAZ

By David Pearson And Sebastian Moffett

RAMBOUILLET, France—**Renault** SA and the Russian government will put nearly €2 billion, or about $3 billion, into ailing auto manufacturer **AvtoVAZ**, as the French car maker tries to salvage a risky investment that turned sour.

The deal was announced after Prime Minister Vladimir Putin met his French counterpart, François Fillon, at the Château de Rambouillet—a medieval manor 48 miles southwest of Paris.

Both countries are known for a high degree of government involvement in industry, and the prime ministers announced a number of other agreements, including the participation of the giant **Électricité de France** in Russia's "South Stream" project. This aims to build a pipeline under the Black Sea to supply gas to Southern Europe.

The AvtoVAZ deal came after months of Russian lobbying to get Renault to help out amid a car-sales collapse in Russia. Russia, which like Renault owns 25% of AvtoVAZ, will provide €1.67 billion to pay back AvtoVAZ's bank debt and cover short-term financing needs.

But Renault won't throw any more cash at the company yet. Instead it will give AvtoVAZ the equivalent of €240 million "in-kind"—including for technology transfer and production machinery. It will also help develop an entry-level vehicle. In addition, Renault's Japanese partner, **Nissan Motor** Co., will provide €60 million of assistance.

Renault's own finances had been strained by the global economic downturn, said Christian Estève, head of Renault's operations for Russia. "We don't have a lot to give," he said in an interiew.

Mr. Putin said he hoped Renault would raise its stake in AvtoVAZ.

"There is no such agreement so far, but we are ready to examine that proposal," he said. "What we have today is an agreement that Renault won't reduce its shareholding" in AvtoVAZ, Mr. Putin said.

Renault, wanting to join in on a fast-growing Russian market, in 2007 bought 25% of AvtoVAZ, a Soviet-era car maker known for its inefficiency and outdated models.

Still, Renault also hopes to use its involvement in AvtoVAZ to promote its own brand in Russia. As part of Friday's deal, Renault and Nissan will be able to use spare capacity at AvtoVAZ's assembly plant at Togliatti to make low-cost cars.

GM's Saab attracts fresh interest

Continued from page

ings is **AM General**, according to Renco's Web site. AM General makes Hummer vehicles on contract for GM.

Any new owner would get Saab for next to nothing and assume responsibility for the brand and related liabilities. GM would likely exit altogether.

Ultimately, it is GM's 13-member board that will decide whether to save Saab—by keeping it within the GM family or seeking an outside investor to replace Swedish exotic-car maker Koenigsegg. The board, headed by former AT&T Inc. Chief Edward Whiteacre, has had a strong influence in crafting GM's strategy since it was appointed in July, after GM exited bankruptcy protection.

The board may simply choose to scrap Saab, which failed to turn a profit during the two decades GM was affiliated with it. The brand needs significant capital and a deep restructuring in order to become a viable competitor with other European premium brands.

Saab, like other GM divisions, fell into deep financial turmoil earlier this year as a global slowdown in the auto industry aggravated balance-sheet problems. The Swedish unit filed for protection from creditors in February, exiting in the summer after reaching an agreement with creditors to write off about 75% of its debt. Mr. Jonsson began talking to potential investors about taking control of Saab after GM said it would exit the brand.

Once selected, Koenigsegg worked with Saab to close the deal, taking on Beijing Auto as a partner. But Koenigsegg backed out Tuesday as company officials cited delays in arranging the financing.

State Secretary Joran Hagglund, the Swedish government's main liaison to the auto industry, said Friday that Sweden will still act as Saab's guarantor to EIB loans, and he will be part of this week's delegation to Detroit. He said Sweden was in close contact with GM throughout the Saab sale process and their dialogue had intensified since Tuesday.

Securing a lifeline for Saab "depends on the financial status of [the] new owner, if there is one," he said. "It's up to the EIB to decide whether they need us to guarantee the loans."

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CORPORATE NEWS

Huawei challenges rivals on quality

Chinese telecom-equipment maker, winning European deals, adds selling points to its price advantage

By Gustav Sandstrom

Bloomberg News

Analysts say Huawei Technologies is increasingly competing on quality, instead of just lower prices, especially in Europe. Above, a Huawei convention booth.

STOCKHOLM—**Huawei Technologies** Co.'s challenge to European rivals has largely focused on its pricing advantage. But industry watchers say the Chinese network-equipment vendor, which last week won a contract from Belgian telecommunications provider **Belgacom** SA, now has another key selling point: the quality of its technology.

As the telecom industry emerges from the global economic slump, European telecommunication-gear companies—global market leader **Telefon AB L.M. Ericsson**; Nokia Siemens Networks, a joint venture between Finland's **Nokia** Corp. and Germany's **Siemens** AG; and Paris-based **Alcatel-Lucent** SA—are likely to face increased pressure from world No. 2 Huawei in their own backyard.

Huawei, which like smaller peer ZTE Corp. is based in the southern Chinese city of Shenzhen, was founded 1988, and revenue and earnings have risen steadily.

Its sales increased to $18.33 billion last year, the latest figure available, from $5.98 billion in 2005, while profit rose to $1.15 billion from $681 million.

While European vendors have, to some extent, been able to keep these low-cost Chinese rivals at bay through superior equipment, Huawei is growing quickly both because it offers lower prices than most rivals and because the quality of its equipment is getting better, said analyst Scott Siegler at research firm Dell'Oro, based in Redwood, Calif. "When we talk to service providers that use Huawei's equipment, we have been told that it is excellent technology, he said."

Huawei's share of the global infrastructure market almost doubled in revenue terms to 20.1% from 10.9% in the third quarter from a year earlier, leaving behind Nokia Siemens and Alcatel-Lucent, according to Dell'Oro.

In the same period, Ericsson's market share remained largely flat at 31.6%. Nokia Siemens's share of the market fell to 19.4% from 23.7%, and Alcatel-Lucent's, to 13.1% from 14.3%. ZTE remained the fifth-largest vendor, but its market share rose to 6.8% from 4.2%.

It is in Europe where the battle is really heating up. Norway's largest telecom operator, Telenor ASA, this month selected Huawei to supply its new Norwegian wireless network, replacing gear supplied by Ericsson and Nokia Siemens.

The six-year contract, which includes services and maintenance, was handed to Huawei on the basis of several criteria, including price and technical specifications, Telenor Norway Chief Executive Ragnar Karhus said.

The quality of Huawei's equipment has improved and the company is now "completely in line" with the European vendors in terms of technology and services, Mr. Karhus said.

Last week, Huawei won another European deal, to upgrade Belgacom's radio-access networks under a long-term agreement. Belgacom is Belgium's largest telecommunications operator.

Telecom operators typically sign contracts with equipment vendors running for several quarters or even years, and this could slow the entry of new vendors to some extent.

Still, operators across Europe are expected from next year onward to gradually introduce equipment based around a fourth-generation standard known as Long Term Evolution. This should give the Chinese vendors another opportunity.

"We expect the transition to 4G will allow Huawei to gain momentum in Europe," Goldman Sachs said in a recent note to investors. "Clearly there are rising competitive risks in Western Europe."

That risk was spelled out clearly by Nokia Chief Financial Officer Rick Simonson, who said recently there is increasing price competition "primarily from the Chinese competitors ZTE and Huawei."

Telenor's Mr. Karhus said Huawei supplies particularly effective multi-base stations, which support several transmission frequencies and technical standards in the same box, increasing operators' flexibility.

Huawei has so far had much less success in overseas regions outside Europe, including in the big U.S. and Japanese markets. Last year, the Americas contributed only 12% of the company's contract sales, compared with 47% from Asia Pacific and 41% from Europe, Middle East and Africa, according to Huawei spokesman Ross Gan.

Due in part to political sensitivity, it has been difficult for Huawei to gain a foothold in North America and Japan, the world's third-largest telecom-equipment market, after the U.S. and China, said analyst Tina Tian at research firm Gartner Inc.

The U.S. government last year blocked Huawei from buying U.S.-based networking-equipment company 3Com Corp. because it had government contracts to provide security software.

Still, Huawei's Mr. Gan said the company expects business momentum to continue in North America and Japan, adding that its main competitive strength is still to provide services at a lower total cost of ownership.

In the U.S., it provides telecom equipment and services to **Cox Communications** Corp. and **Clearwire** Corp.

Robert Fox, chief branding officer of Huawei's branding division, said in a recent interview that next year it hopes to add 600 employees to its 900 existing staff in North America. Globally, it has more than 87,500 workers.

Despite its rapid growth, it will still take time before Huawei approaches the position of market leader Ericsson, which has expanded its presence in North America through the acquisition of some Nortel Networks Corp. assets and has won a number of large service contracts with operators including U.S.-based Sprint Nextel Corp.

Ericsson and Alcatel-Lucent earlier this year also won a major contract to supply Verizon Wireless with its fourth-generation wireless network.

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Three firms buy into Sina

China portal gets $180 million from managers, investors including Sequoia, Citic Capital

By Rick Carew And Aaron Back

Sina Corp. said three investment firms, including **Sequoia Capital**, are joining its management to invest $180 million in the company as they attempt to reinvigorate China's largest Internet portal.

Sequoia Capital, **FountainVest Partners** and **Citic Capital Holdings** Ltd. are backing the Sina management team's purchase of new shares, which will give the combined group a 9.4% stake in the company. Sina confirmed the new investors late Friday after a Wall Street Journal report earlier in the day named them.

Sina's management, led by Chief Executive Charles Chao, will put in about $50 million and the three investment firms will provide the rest, according to a person familiar with the situation, with each taking stakes of a similar size. The investment firms are using debt to help fund their portion, according to people familiar with the deal.

In September, Sina said it was planning to sell the new shares to its management in a "private equity placement" to fund acquisitions and its working-capital needs. Since that announcement, Sina has been hammering out terms with the investor group to provide the financing.

The investment, which was completed last week, comes after Sina dropped a plan to acquire assets from **Focus Media Holding** Ltd. The deal would have given Sina access to a huge network of television screens playing advertisements in office buildings across China.

Sina's management is building a stake in the company with the aim of showing investors its confidence in the prospects of the business. The deal represents a "management buy-in," giving the management a bigger stake in the company's future and greater say over its operations. Sina's management ranks have turned over several times since its founding, and although the managers aren't taking over the company, they will have more of their personal wealth tied up in the business and a greater incentive to stay on board.

"For the first time since its IPO in 2000, the largest shareholder of Sina is a Sina management-controlled entity," said Mr. Chao in the statement. "[A]ll key members of Sina's management have contributed to the private equity financing, even though participation was purely voluntary."

The three investment firms are taking a stake in a holding company set up by Sina's management to control the 9.4% stake. The investment firms will hold preferred shares in the vehicle, giving them first right to dividends, and each firm has the right to nominate one member to the holding company's board. Sina's management will hold ordinary shares in the holding company and nominate four members to its board, thereby giving them control over the entity.

The new investors are betting the management can engineer a turnaround. Sina was an early mover in China's competitive Internet market but has failed to keep pace with competitors in recent years. Unlike some rival portals like **Sohu.com** Inc. and **Tencent Holdings** Ltd., it never moved into online games, which have proven to be highly profitable and also resilient during an economic downturn. Sina's heavy exposure to cyclical online advertising has hurt its performance since the onset of the global financial crisis.

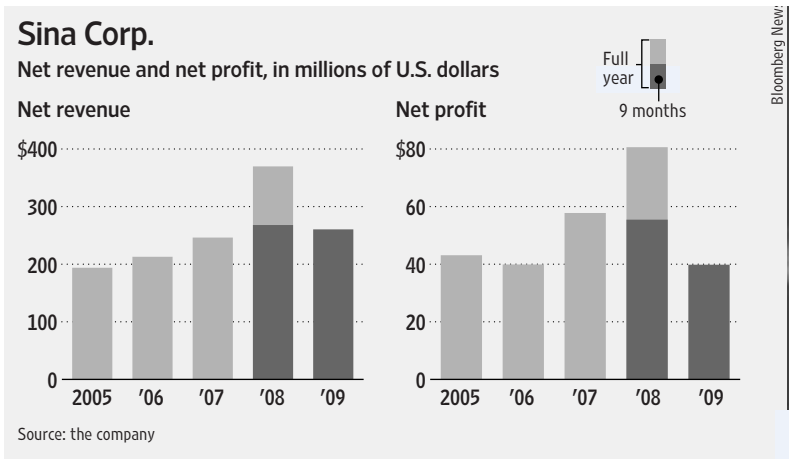
Still, Sina's Internet portal remains a valuable franchise that has wide recognition among Chinese Internet users. Sina earns advertising revenue from its main news portal supported by its own in-house news-gathering operation and portals for consumers shopping for apartments and automobiles. In its third-quarter results, the company said it is seeing signs of a strong recovery in online advertising.

Sina combined its real-estate portal with part of E-House (China) Holdings Ltd. to form **China Real Estate Information** Corp., which raised $231 million in an October listing on Nasdaq. Sina owns a 33.4% stake in China Real Estate Information.

Sequoia Capital is one of the pioneering U.S. venture-capital firms that grew up alongside California's Silicon Valley. Its China investing team is led by Neil Shen, a former entrepreneur and banker.

FountainVest was founded in 2007 by Chief Executive Frank Tang and the former China investment team of Singapore's Temasek Holdings Pte. Ltd. Mr. Tang raised US$950 million last year from investors including Temasek, Canada Pension Plan Investment Board and Ontario Teachers' Pension Plan.

Citic Capital is an alternative investment-management firm that manages more than $2 billion and is owned by affiliates of Chinese state-owned conglomerate **Citic Group** and China Investment Corp., the sovereign-wealth fund.



Bloomberg News

Sina CEO Charles Chao

Japan issues warning on yen strength

TOKYO—Japan Friday threatened to intervene in currency markets if necessary to stop the soaring yen, which reached fresh highs against the dollar Friday amid market turbulence, even as new economic data underscored the nation's weakened state.

*By **Takashi Nakamichi** and **Andrew Monahan***

Still, market watchers said Japan's policy makers likely aren't yet prepared to intervene, barring a dramatic move in the yen in coming days. With other nations also under pressure to bring their currencies lower against the dollar, they said, Japan likely wouldn't move without consulting major governments first.

Japanese Finance Minister Hirohisa Fujii Friday called the currency's rise "one-sided" and said continued appreciation could provoke a response from Tokyo, which hasn't intervened on behalf of the yen in five years. "If this kind of situation is sustained, I think that it would be something abnormal," he said, adding "it would be possible for us to take" steps under such conditions. Previously, Mr. Fujii has suggested abnormal movement would be a condition for any intervention.

Mr. Fujii made the remarks after the dollar fell early Friday to 84.83 yen, its lowest level since July 7, 1995, as investors piled into the yen on the view that it offers a safe haven amid falling Asian share prices and concerns over global banks' exposure to Dubai debt. The dollar later rebounded and traded at 86.58 yen late in New York Friday.

There's also doubt that Tokyo could do much about the dollar's broad downtrend because factors driving the currency lower are mostly beyond Japan's control.

"As a member of the Group of Seven, it's difficult for Japan to intervene," said Osamu Takashima, chief currency strategist at Bank of Tokyo Mitsubishi UFJ. "To act, Japan may need weak U.S. stocks or weak U.S. Treasurys to prove the current dollar weakness is bad not only for Japan but also for the world."

Some analysts said a sudden move would be needed to spur for a quick intervention from Tokyo. "I don't think Japan will step into the market anytime soon because what matters is speed, not the level," said Yuji Saito, head of the foreign-exchange group at Societe Generale. "And [the yen's ascent] isn't fast enough to be called abnormal. Intervention could be justified [only] if the yen rises by five yen or so within a day."

Also Friday, the government reported that Japan core consumer-price index, which excludes volatile fresh-food prices, fell 2.2% in October from a year earlier, reinforcing Tokyo's acknowledgment last week that the company faces deflation. Retail sales fell 0.9% in October from a year earlier in a sign of Japan's weak domestic economy, which has overshadowed the return of overall economic growth to Japan due largely to exports.

Deflation can hit corporate profits, leading to job cuts and other measures that crimp economic growth. A strong currency reinforces deflation because it makes imported goods cheaper for Japanese consumers.

Deputy Prime Minister Naoto Kan said Friday that the government stands ready to implement additional stimulus steps to limit economic damage from the yen's rise.

He added that "there was talk that the recent strong yen will put downward pressure on the economy" during a regular Cabinet meeting held earlier in the day.

The dollar has fallen about 7% versus the yen since Prime Minister Yukio Hatoyama formed his government in the middle of September amid speculation that his Democratic Party of Japan may be less worried about the damage of yen strength than the previous governments led by the Liberal Democratic Party.

DPJ members seem to have abandoned that view. The negative effects on Japan's economy of the recently soaring yen "are in no doubt far larger" than its positive impact, Mr. Fujii said.

A wide variety of external factors contributed to the U.S. unit's plunge earlier in the day such as concerns over global banks' exposure to the debt problems of a real-estate subsidiary of Dubai's state-run **Dubai World**. The U.S. currency's weakness is also seen as being partly due to expectations that the U.S. Federal Reserve will keep its interest rates near zero for some time to support the country's economic improvement.

Mr. Fujii said that the reasons behind the yen's climb are "very complicated," and said he will contact U.S. and European currency policy makers when necessary to discuss currency issues. He hinted that if needed, he may consider calling on major nations to publish a statement against rapid yen rises, as the group did in October 2008.

China launches 50-year bond; first for nation

SHANGHAI—China sold its first 50-year government bond, a move that expands its domestic debt market and places the country in a small league of nations that have issued ultralong-term sovereign debt.

The Ministry of Finance sold 20 billion yuan ($2.93 billion) of 50-year bonds in an auction Friday at 4.30%, well below market expectations of 4.40% to 4.50%. The Chinese-currency-denominated bonds are mainly available to domestic investors.

The bond sale wasn't primarily about raising money. China's government has a healthy fiscal position and ample access to capital. Rather, it is part of China's long-term efforts to make its government bond market a better pricing benchmark for corporate debt sales as the country's economy—and firms' hunger for cash—continues to expand.

The sale also is designed to meet demand from Chinese pension funds and insurers for longer-term assets to match their liabilities, which can stretch over decades. Indicating strong demand, the auction's bid-to-cover ratio was 1.99 times, the ministry said in a statement—higher than the average 1.5 times ratio of most Chinese-government-bond auctions this year.

Only a few developed countries, such as the U.K. and France, have sold 50-year debt.

"The result of the auction indicates the country's insurance companies and pension funds welcomed the rare ultralong debt. They need such assets for long-term allocation purposes," said an analyst at UBS Securities.

China's debt markets are relatively young. The country began market-oriented economic and financial reforms only 30 years ago, and didn't start selling 30-year yuan bonds—China's longest-dated local-currency sovereign debt prior to Friday's sale—until earlier this decade. China's 30-year bond was yielding 4.20% Friday.

Only a few developed countries, including the U.K. and France, have sold government bonds with maturities of 50 years or longer. "Such bonds are a test of investors' confidence, as no one knows what will happen to a country during such a long period of time," said Wang Yingfeng, a bond analyst at Shanghai Securities.

The 50-year bond will trade on the interbank market and the country's two stock exchanges from Dec. 2. However, trading will be rare, as its main holders such as insurers, are expected to hold the securities until maturity.

The ministry may continue to sell new batches of 50-year bonds each year in the years ahead, mostly to cater to the needs of pension funds and insurance companies, and to develop the country's debt market, the Shanghai Securities analyst said.

Issuing the bonds on a regular basis will also help improve the liquidity of the ultralong bonds on the secondary market, analysts said.

—Wang Ming

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BUSINESS TRANSFORMED

MARKETS

Dubai's troubles have a long reach

Though markets react with drops, analysts say contagion unlikely

By Andrea Tryphonides

Reuters

A European Union flag near the Parthenon in Athens. The Greek market fell Thursday, dragged down by Dubai's woes.

As Dubai confirmed that it would be postponing the debt of its corporate flagship company **Dubai World** on Wednesday, more than 3,000 kilometers away, Greece's stock market swooned.

Dubai may be a long way from Europe, but Dubai World's request for a debt-payment freeze had far-reaching impact, especially among emerging markets and smaller European countries.

Along with Greece, concerns about debt problems hit, among others, the Hungarian and Irish markets. Research by Danske Markets, a division of Danske Bank, showed that Dubai affected most European, Middle East and African markets negatively, and in particular, the currencies of Turkey and South Africa. The currencies of Central and Eastern European countries were also broadly weaker.

"[Last] week's credit events in Dubai and Greece have re-awakened concerns over international financial stability, triggering sharp unwinds in the global risk trade," said Lena Komileva, head of G-7 market economics at Tullett Prebon. "We expect that liquidity assets led by core European government bonds, gilts [U.K. government bonds] and U.S. Treasurys will remain well underpinned into [this] week's busy calendar," she added.

Even as investors grew more leery of emerging markets and periphery European Union countries such as Greece, analysts wondered how much the investment case had really changed in the wake of the Dubai World news.

Indeed, despite the market tumult, many participants see Dubai's woes as a "local issue," arguing that smart investors have known for months that Dubai World was dangerously indebted.

Also, Greece's problems emerged before the Dubai news, and concerns about weaker European economies has been brewing for the past several weeks.

"Let's not get carried away," said Anthony Hughes, investment manager at Alexander Associates LLC. "I can't really see how this will affect emerging Europe as everyone who had any sense pulled out of Dubai real estate over a year ago, and if anything emerging Europe will have benefited from it."

Jonathan Neill, managing director at London-based alternative emerging-markets specialist FPP Asset Management, also thinks there will be very little market contagion.

In fact, Mr. Neill bought shares of Greek banks following the 6.2% fall in Athens's stocks market on Thursday, taking advantage of what he thought was an over-reaction. The Greek ASE index rose 1.4% Friday, bringing gains for 2009 to 26%.

"The main problem is more of emotional contagion and its perception," said Bryan Collings, managing partner at Hexam Capital Partners, an emerging-markets boutique.

A note by Credit Suisse echoed this sentiment. However, it also pointed out that the most risky countries on its global equity scorecard are Eastern European countries, Greece and Spain. Nevertheless, Credit Suisse said it is maintaining its positive fundamental outlook for equities.

The issue that is most relevant, said Mr. Collings, is that of liquidity. The European Central Bank has been making clear that, unlike the Federal Reserve, it will be looking at withdrawing parts of its emergency liquidity program, introduced at the height of the credit crisis to bail out failing economies. It already has announced the end of the unlimited one-year refinancing operations in December.

Greece, along with Ireland, are the main recipients of funds from the ECB refinancing operations. Credit Suisse's European economics team has calculated that these funds are equivalent to around 50% and 16% of Greece and Ireland's gross domestic product, respectively. "Visibility is cloudy," warned Mr. Collings.

As the dust settles on the Dubai issue, it appears that the smaller, heavily burdened countries of Europe still have some way to go toward their economic recoveries.

For banking stocks, hopes for a slow recovery

Continued from page 23

into bigger profits as banks increase their lending rates.

At this point, the best environment for financials would be a "slow but steady" recovery, says David Bianco, head of U.S. equity strategy for Bank of America Merrill Lynch. "If it's a rapid recovery, you'd be better off in technology, industrials or even consumer discretionary" stocks, he says.

Some analysts and investors are zooming in even more closely on when consumer credit quality starts to rebound. For banks besieged by problem loans, improvement in consumer credit is like the cavalry, Mr. McDonald says. "You know they're coming. You just don't know when they're going to arrive," he says.

His stock picks include J.P. Morgan, where excess reserves and capital will continue to help it endure the tough economy and "become 'offense' if the environment improves."

Mr. Bianco says provisions for possible consumer-loan losses will likely remain high throughout 2010, and write-offs will likely keep rising.

But loan-loss provisions will peak in this year's fourth quarter at $205 billion, or 4.4% of loans, and fall to $170 billion, or 3.6%, by the end of 2010, he predicts. That would deliver a boost to bank earnings.

A linchpin of Merrill's forecast: Unemployment tops out below 11% in early 2010, up from 10.2% in October, and housing prices stabilize.

Whitney Tilson, managing partner at T2 Partners LLC, contends that many financial stocks are priced for a "V" shaped economic recovery that will never come. After being long on financial companies last summer, he now holds just **American Express**.

Three investment banks push to make a splash in Asia

Continued from page 23

including **Royal Bank of Scotland Group** PLC, **Citigroup** Inc., UBS and **Bank of America** Corp.'s Bank of America Merrill Lynch unit, which are now under various levels of government ownership or scrutiny. Those banks argue that government help has brought a measure of stability, though they have been hiring more selectively.

Barclays late last year nabbed a senior bunch of former RBS bankers, including RBS Asia mergers-and-acquisitions head Jason Rynbeck. In September, it hired Morgan Stanley banker Matthew Ginsburg to head its investment-banking activities in the Asian-Pacific region, Stefano Marsaglia from Rothschild as its chairman of global financial institutions, and ex-RBS bankers in Australia.

It is now expanding its equity and debt capital markets franchise in Asia and looking to hire more than 100 people. It already has hired more than 100 equity sales and research bankers from the Japan offices of the now-bankrupt Lehman Brothers.

Standard Chartered in January bought Asian institutional broker Cazenove Asia, which included 30 equities analysts plus 20 sales and trading staff, from **J.P. Morgan Chase** & Co's J.P. Morgan Cazenove joint venture, giving its China business a boost. M&A hires include former Lehman banker David Douglas to head its global equity capital markets team and Zhu Wei from private-equity firm CVC Asia Pacific to head up its greater China private-equity team. It has also been on an aggressive recruiting drive for private bankers.

Standard Chartered's Northeast Asia global markets head, Sundeep Bhandari, said Wednesday that the bank was looking to hire up to 12 Hong Kong-based sales and research staff in its global markets business—equities, fixed income, commodities and interest rates, among others—in the next couple of months.

Daiwa, which currently has 650 staffers outside Japan in Asia, is planning to hire 470 people, with more than 60% of the new hires in equities trading and sales, as well as bankers in capital markets and M&A.

So far this year, both Standard Chartered and Barclays Capital have been hired as advisers on the ultimately aborted US$23 billion bid by Indian telecommunications provider **Bharti Airtel** Ltd. for a 49% stake in South Africa's **MTN Group** Ltd. Barclays's IPO tally this year includes Sands China Ltd.'s US$2.5 billion offering in Hong Kong. Standard Chartered advised on the US$308 million IPO of **Sany Heavy Equipment International Holdings** Co. and the US$232 million offering of **China Forestry Holdings** Co.

Success won't happen overnight. **HSBC Holdings** PLC might provide one lesson. Six years ago, the bank pushed to build out a full-service investment bank, spending freely on new hires. It then lost key people it had brought in but who complained the firm wasn't taking enough risks, while shareholders complained that the big pay packets didn't deliver on deals. Since then, HSBC has moved away from taking on the big-name banks and directed its focus on emerging markets and greater China, and its main wins in investment banking have been generally limited to Hong Kong.

Global firms staying away from U.S. IPOs

By Lynn Cowan

IPO FOCUS

Now that IPO issuance has picked up in the U.S., investors are wondering whether they will get the chance to sample a little more international flavor from new stocks.

So far this year, 134 Chinese companies have gone public, but only 10 of them chose to list on American exchanges. Instead, the majority debuted either within mainland China or in Hong Kong, according to data from Dealogic. There have been 15 initial public offerings from companies in India, with none listing in America. Brazil, another economy that investors are watching closely for investing opportunities, has spawned five IPOs; one, from **Banco Santander Brasil** SA, chose to dual-list on its home exchange as well as on the New York Stock Exchange.

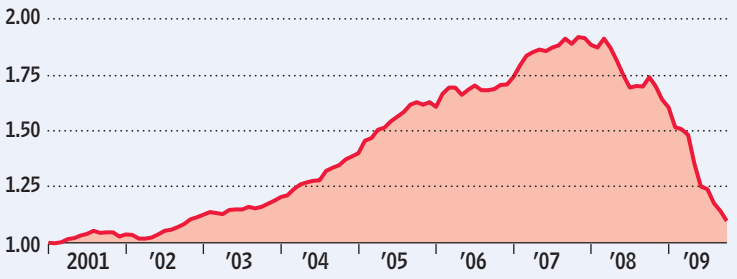
It's been several years since the U.S. could claim to be the center of the IPO universe; as emerging economies have grown, so, too, has the influence of their own local listing venues. With investment banks becoming more global and investors more willing to purchase shares on foreign markets, the need to have a U.S. listing has ebbed.

■ There are no IPOs expected this week in the U.S.; last week was too short, with the Thanksgiving holiday, to attract enough enough investors to meetings for new deals.

MARKETS

The risks that remain

The crisis at Dubai World is a reminder of other credit risks in the economy, including commercial real estate. Below is the Moody's/REAL Commercial Property Price Index, designed to track commercial property prices based on repeat sales of the same properties across the U.S. at different times. Indexed; December 2000=1



Source: MIT Center for Real Estate

Dubai's credit debacle points to array of risks

Some say markets have fallen too far, but problems remain

By Mark Gongloff

On their own, **Dubai World**'s credit problems amount to a relatively minor event. But they are a reminder of the credit risks that still lurk in the global financial system, posing threats to assets that have soared in price this year.

With up to $45 billion in debt, Dubai World's impact on the credit market pales in comparison to the nearly $3 trillion global banks have written down since the credit crisis began.

For that reason, many observers dismissed as overdone the jittery global market reaction to Dubai World's potential default. It is possible, maybe even likely, that this amounts to only a brief pause in risk appetite. Year-end profit-taking likely had something to do with the broad selloff in risky assets, according to some analysts.

And fresh credit worries could lead central banks to get even looser with money, encouraging another round of risk-taking.

But the initial refusal of United Arab Emirates governments to bail out Dubai World was a reminder that policy makers mightn't be willing or able to solve all the world's credit problems with easy money.

"The market is abandoning hopes of a universal policy bailout for credit risk," said Lena Komileva, head of G7 market economics at London-based broker Tullett Prebon. "That will limit risk-taking and shine a spotlight on the underlying fundamental quality of assets and away from policy support."

Of course, none of these credit risks are hidden from view.

The question is how much they are priced into risky assets.

Many measures of risk, such as credit-default protection costs and market volatility expectations, are lower than before the Lehman Brothers Holdings Inc. meltdown last year, suggesting the market could be set up for nasty surprises.

Here is a summary of the key credit-market threats:

■ **Commercial real estate:** The $3.4 trillion outstanding in debt backed by office buildings, shopping malls and other commercial real estate is easily large enough to pose a real threat to the recovery.

The Moody's/REAL Commercial Property Price Index has lost 43% of its value since peaking in 2007, recently falling to its lowest level since 2002. As commercial property values fall, debt defaults rise.

This problem has been well-telegraphed and will likely take a long time to unwind—through 2012, according to Guy LeBas, fixed-income strategist at Janney Capital Markets. That might lessen the impact on financial markets.

But much commercial real-estate debt is held by regional banks that aren't too big to fail and that, during this slow unwinding, might be hesitant to lend more money. That should, at the very least, keep the brakes on the economic recovery.

■ **Consumer credit:** Another risk for bank balance sheets is the nearly $900 billion in credit-card debt outstanding.

Roughly a third of that debt might be owed by high-risk, subprime borrowers, according to various estimates.

■ **Municipal debt:** The $3 trillion market for the debt of local governments seldom experiences defaults. But when it does, it draws attention, as when Orange County, Calif., defaulted in the 1990s and when Jefferson County, Ala., came close to default last year.

Rising unemployment and falling property values have hurt municipal tax receipts and raised worries about default risk. After rallying 30% from its October 2008 bottom, the Bond Buyer's Municipal Bond Index has fallen 5% since peaking this September, while other assets have continued to rally.

Worries about paying debts and other bills are leading to deep cost-cutting by local governments, another drag on the economy's hesitant recovery.

■ **More housing trouble:** Meanwhile, millions of U.S. residential mortgage foreclosures are still in the pipeline.

Nearly 10.7 million homeowners, or roughly 23% of the total, owe more money on their mortgages than their homes are worth, according to the real-estate information provider First American CoreLogic.

Anywhere from three million to seven million mortgages might be moving through the foreclosure pipeline, according to various estimates.

■ **Sovereign debt:** Even if the entire government of Dubai defaults, that would still represent just $80 billion in debt, hardly earth-shattering. But Dubai is not the only sovereign issuer with troubles.

Every episode of sovereign worry raises market fears of contagion, "reminders that pockets of post-credit-excesses are intact and destabilizing," Gluskin Sheff chief economist David Rosenberg told clients on Friday.

Legal Notices

NOTICE OF SALE

Expressions of Interest to Submit Tenders for the Purchase of the Assets of Starbay International Limited

The joint and several provisional liquidators of Starbay International Limited invite expressions of interest for the purchase of the assets and businesses belonging to Starbay and its subsidiaries.

Starbay is a Hong Kong based group that designs, manufactures and distributes collections of high quality rosewood furniture. It manufactures its own furniture under the 'Starbay' brand and sells to customers in the UK, Europe and the US. It operates a 26,000 sq m factory premises in Dongguan, PRC. In France, it owns a 1.3 hectare property with a 5,000 sq m warehouse and an office building, situated in a prime commercial zone in Brest. The last date for receiving tenders is 18 December 2009.

Expressions of interest should be sent to Stephen Briscoe or Wong Teck Meng, both of Briscoe & Wong Limited whose contact details are set out below:

Stephen Briscoe
Managing Director
Direct Tel:
+ 852 2899 2178
Email: sbriscoe@briscoewong.com

Wong Teck Meng
Executive Director
Direct Tel:
+ 852 2899 2125
Email: teckmeng@briscoewong.com

All correspondence should be addressed to the joint and several provisional liquidators at 18/f, 1801 Wing On House, 71 Des Voeux Road, Central, Hong Kong or by fax to +852 2899 2948.

Briscoe & Wong
貝德

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

In re: SOLSTICE, LLC, *et al.*, Debtors. } Chapter 11 Case No. 09-11010 (REG) (Jointly Administered)

NOTICE OF AUCTION SALE OF THE DEBTORS' ASSETS FREE AND CLEAR OF ENCUMBRANCES

PLEASE TAKE NOTICE that the Debtors filed a sale motion ("Sale Motion") (Docket No. 205); the hearing date with the Court for approval of the Sale Motion ("Sale Hearing") is **December 16, 2009 at 10:30 a.m. (prevailing Eastern Time)** at the Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004 ("Bankruptcy Court"), before the Honorable Robert E. Gerber, United States Bankruptcy Judge.

PLEASE TAKE FURTHER NOTICE that, prior to the Sale Hearing, an auction ("Auction") will be held at the offices of King & Spalding LLP, 1185 Avenue of the Americas, New York, New York 10036 on **December 14, 2009 at 9:30 a.m.** (**prevailing Eastern time)**, at which time all Qualified Bidders (as defined in the Bid Procedures) may bid and participate pursuant to the terms of the Bid Procedures. A copy of the Sale Motion, containing the Bid Procedures, may be obtained from the Clerk of the Bankruptcy Court or contacting the attorneys for the Debtors, King & Spalding LLP, 1185 Avenue of the Americas, New York, New York 10036, Attn: Heath D. Rosenblat, (212) 556-2124 or hrosenblat@kslaw.com.

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Payrolls report may set the tone for Treasurys

Progress on U.S. jobs could weaken market early in the new year

By Emily Barrett

U.S. CREDIT MARKETS

Dubai's unraveling credit is likely to continue to capture attention world-wide, but the most compelling news for investors in U.S. Treasurys this week will be much closer to home.

The last payrolls report published in 2009, due Friday, could be pivotal for the fortunes of the Treasury market in the new year. Although government bonds look well supported to the end of the year, any substantial signs of turnaround in the U.S.'s troubled labor market could put Treasurys on the back foot from the outset of the new year—at a time when the U.S. government still needs to raise trillions in debt to finance its hefty deficit.

The suspension of payments on **Dubai World**'s $60 billion of debt last week drove anxious trade that could well bring more buyers to the safety of government bonds once business picks up after the Thanksgiving break.

Larry Milstead, head of U.S. government and agency trading at R.W. Pressprich & Co, doesn't expect Dubai's problems to spread, though "it's worth watching closely," given the continued fragility of credit markets on both sides of the Atlantic.

Payrolls should easily eclipse such distractions by the end of the week. These figures are the biggest threat to a month-long government bond rally powered chiefly by the conviction that the economic recovery can't take hold, nor can the Fed raise interest rates, while unemployment keeps rising.

Jobs are the major ingredient missing in the economic recovery: October's payrolls figure put the rate at a 26-year high of 10.2%, and there's no consensus that the peak has been reached. The balance of forecasts among economists surveyed by Dow Jones Newswires Friday was for that level to hold in November.

Demand for the safety of government bonds is at its strongest when economic times look bleak, so it's no surprise that the persistently weak labor market has supported Treasurys. The last set of unemployment figures helped unleash a month of declines in yields.

Late Friday, the benchmark 10-year yielded 3.202%, down 0.16 percentage point on the week.

Treasurys look set for a continued rally to year end, thanks in part to increased demand among investors for the highest-quality assets to make their year-end accounts look their best. But the new year brings a host of returning anxieties for the government-bond market that could have a far swifter impact if combined with a resurgent labor force.

Fear on Dubai seen offering aid for dollar

By Don Curren

CURRENCY MARKETS

Dubai World's debt standstill could darken prospects for the euro and other risk-sensitive currencies this week, underpinning the dollar's recovery and halting the rally that drove the euro to 15-month highs and buoyed commodity currencies including the Australian, New Zealand and Canadian dollars.

"It was a bit of a game changer, at least in the short term," said Vassili Serebriakov, currency strategist at Wells Fargo Bank in New York. "I think it's too early to say how long this correction will last and how far it will go."

Dubai's decision to restructure $60 billion in debt and seek a six-month delay on its debt payments sparked worries of another bout of credit-market woes. Concerns were aggravated by a lack of clarity over the actual exposure of large international banks to Dubai World.

With year-end approaching, those concerns added to investors' desire to lock in gains made in riskier assets and park them in havens such as the dollar—and even more so in the yen.

"I think this Dubai story becomes a catalyst for investors to lock in some of the really healthy profits that we've seen in the second half of this year," said Omer Esiner, an arket analyst at Travelex Global Business Payments in Washington, D.C.

Against this background, analysts expect the euro to range between its recent 2009 high of around $1.5150 to as low as $1.47. The dollar is seen moving between 84 yen and 89 yen.

Late Friday afternoon in New York, the euro was trading at $1.4982, down from $1.5017 late Thursday. The dollar was at 86.41 yen, from 86.63 yen, while the U.K. pound was at $1.6497 from $1.6511.

Complicating a volatile environment for currencies are U.S. data releases this week,. The most significant comes Friday with U.S. November nonfarm payrolls data.

"Obviously [the U.S. jobs report] is going to be a big driver for overall market sentiment and it's going to play right into sentiment ," said Tyson Wright, a trader at Custom House, a currency services firm in British Columbia.

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Fund attempts to profit from price changes related to corporate actions. Mergers/Acquisition, bankruptcy, shifts in corporate strategy, divestiture. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending November 27, 2009

Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
NS	**RiverNorth Capital Partners, LP**	Rivernorth Capital Management, Inc.	USD	United States	**49.79**	61.07	35.87	NS
1	**Goodwood A**	Goodwood Inc.	CAD	Canada	**49.01**	50.13	-23.86	5.19
1	**Goodwood B**	Goodwood Inc.	CAD	Canada	**49.00**	49.98	-23.55	3.86
NS	**Finisterre Special Situations Fund**	Finisterre USA	USD	Cayman Isl	**48.23**	45.83	2.92	NS
2	**Canyon Value Realization Cayman Ltd A**	Canyon Capital Advisors LLC	USD	Cayman Isl	**49.62**	42.16	2.68	8.38
4	**Catalysis Partners LLC**	Francis Capital Management, LLC	USD	United States	**41.62**	38.55	4.44	13.51
3	**IBS Turnaround Fund QP**	IBS Capital LLC	USD	United States	**39.35**	38.39	-0.75	NS
4	**IBS Opportunity Fund Ltd**	IBS Capital LLC	USD	British VI	**38.80**	38.36	-4.08	9.84
4	**IBS Turnaround Fund**	IBS Capital LLC	USD	United States	**38.67**	37.86	-1.50	11.91
2	**Canyon Value Realization Fund LP A**	Canyon Capital Advisors LLC	USD	United States	**45.92**	35.74	-0.15	7.04

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	11/27	EUR	52.67	21.8	22.9	-27.4
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	11/26	USD	10.33	25.8	28.6	-13.5
Am Eq Blend B	US	EQ	LUX	11/26	USD	9.71	24.6	27.4	-14.4
Am Growth A	US	EQ	LUX	11/26	USD	30.60	33.6	46.3	-5.1
Am Growth AX	US	EQ	LUX	11/26	USD	33.01	34.3	47.2	-4.6
Am Growth B	US	EQ	LUX	11/26	USD	25.75	32.4	44.8	-6.1
Am Growth C	US	EQ	LUX	11/26	USD	27.70	33.1	45.6	-5.5
Am Growth I	US	EQ	LUX	11/26	USD	33.88	34.6	47.4	-4.4
Am Income A	US	BD	LUX	11/26	USD	8.45	24.1	33.0	5.4
Am Income A2	US	BD	LUX	11/26	USD	18.98	24.7	32.8	5.4
Am Income A2	OT	OT	NA	11/25	HKD	147.10	NS	NS	NS
Am Income AT	OT	OT	NA	11/25	HKD	65.64	NS	NS	NS
Am Income AT	US	BD	LUX	11/26	USD	8.47	24.8	32.9	5.4
Am Income B	US	BD	LUX	11/26	USD	8.45	23.3	31.9	4.6
Am Income B2	US	BD	LUX	11/26	USD	16.37	23.9	31.9	4.6
Am Income B2	OT	OT	NA	11/25	HKD	126.87	NS	NS	NS
Am Income BT	OT	OT	NA	11/25	HKD	65.95	NS	NS	NS
Am Income BT	US	BD	LUX	11/26	USD	8.51	24.0	31.9	4.7
Am Income C	US	BD	LUX	11/26	USD	8.45	23.6	32.3	4.8
Am Income C2	US	BD	LUX	11/26	USD	24.34	24.2	32.3	4.9
Am Income I	US	BD	LUX	11/26	USD	8.45	24.8	33.8	6.0
Am Value A	US	EQ	LUX	11/26	USD	8.52	18.2	28.1	-12.4
Am Value B	US	EQ	LUX	11/26	USD	7.85	17.0	26.8	-13.2
Am Value C	US	EQ	LUX	11/26	USD	8.52	17.5	27.5	-12.8
Am Value I	US	EQ	LUX	11/26	USD	9.16	19.0	29.0	-11.7
Emg Mkts Debt A	GL	BD	LUX	11/26	USD	15.67	43.7	58.5	8.7
Emg Mkts Debt A2	GL	BD	LUX	11/26	USD	20.12	44.5	58.3	8.8
Emg Mkts Debt AT	GL	BD	LUX	11/26	USD	15.77	44.5	58.3	8.8
Emg Mkts Debt B	GL	BD	LUX	11/26	USD	15.67	42.6	57.0	7.7
Emg Mkts Debt B2	GL	BD	LUX	11/26	USD	19.39	43.2	56.8	7.7
Emg Mkts Debt BT	GL	BD	LUX	11/26	USD	15.75	43.2	56.7	7.7
Emg Mkts Debt C	GL	BD	LUX	11/26	USD	15.67	43.2	57.9	8.2
Emg Mkts Debt C2	GL	BD	LUX	11/26	USD	19.78	44.0	57.6	8.3
Emg Mkts Debt I	GL	BD	LUX	11/26	USD	15.67	44.3	59.3	9.3
Emg Mkts Growth A	GL	EQ	LUX	11/26	USD	33.53	67.3	73.0	-12.6
Emg Mkts Growth B	GL	EQ	LUX	11/26	USD	28.44	65.8	71.3	-13.5
Emg Mkts Growth C	GL	EQ	LUX	11/26	USD	29.07	66.6	72.2	-13.0
Emg Mkts Growth I	GL	EQ	LUX	11/26	USD	37.14	68.5	74.4	-11.9
Eur Growth A	OT	OT	LUX	11/26	USD	9.93	18.9	17.6	-18.7
Eur Growth A	OT	OT	LUX	11/26	EUR	6.62	18.9	17.6	-18.7
Eur Growth B	OT	OT	LUX	11/26	EUR	5.96	17.8	16.4	-19.5
Eur Growth B	OT	OT	LUX	11/26	USD	8.94	17.8	16.4	-19.5
Eur Growth C	EU	EQ	LUX	11/26	EUR	5.01	18.2	16.8	-19.1
Eur Growth I	OT	OT	LUX	11/26	USD	10.81	19.6	18.4	-18.1
Eur Growth I	OT	OT	LUX	11/26	EUR	7.21	19.6	18.4	-18.1
Eur Income A	OT	OT	LUX	11/26	EUR	6.63	38.8	34.6	3.7
Eur Income A	OT	OT	LUX	11/26	USD	9.94	38.8	34.6	3.7
Eur Income A2	OT	OT	LUX	11/26	EUR	12.84	39.4	34.6	3.7
Eur Income A2	OT	OT	LUX	11/26	USD	19.26	39.4	34.6	3.7
Eur Income AT	EU	BD	LUX	11/26	EUR	6.64	39.3	34.6	3.6
Eur Income B	OT	OT	LUX	11/26	EUR	6.63	38.0	33.7	3.0
Eur Income B	OT	OT	LUX	11/26	USD	9.94	38.0	33.7	3.0
Eur Income B2	OT	OT	LUX	11/26	EUR	11.95	38.5	33.5	2.9
Eur Income B2	OT	OT	LUX	11/26	USD	17.92	38.5	33.5	2.9
Eur Income BT	EU	BD	LUX	11/26	EUR	6.64	38.5	33.4	2.9
Eur Income C	OT	OT	LUX	11/26	EUR	6.63	38.3	34.0	3.2
Eur Income C	OT	OT	LUX	11/26	USD	9.94	38.3	34.0	3.2
Eur Income C2	OT	OT	LUX	11/26	EUR	12.81	38.9	34.0	3.2
Eur Income C2	OT	OT	LUX	11/26	USD	19.21	38.9	34.0	3.2
Eur Income I	OT	OT	LUX	11/26	EUR	6.63	39.3	35.3	4.3
Eur Income I	OT	OT	LUX	11/26	USD	9.94	39.3	35.3	4.3
Eur Strat Value A	OT	OT	LUX	11/26	EUR	8.07	15.9	14.0	-22.3
Eur Strat Value A	OT	OT	LUX	11/26	USD	12.10	15.9	14.0	-22.3
Eur Strat Value I	OT	OT	LUX	11/26	EUR	8.25	16.7	14.9	-21.6
Eur Strat Value I	OT	OT	LUX	11/26	USD	12.37	16.7	14.9	-21.6
Eur Value A	OT	OT	LUX	11/26	USD	13.05	19.5	17.7	-19.3
Eur Value A	OT	OT	LUX	11/26	EUR	8.70	19.5	17.7	-19.3
Eur Value B	OT	OT	LUX	11/26	EUR	8.01	18.3	16.6	-20.1
Eur Value B	OT	OT	LUX	11/26	USD	12.01	18.3	16.6	-20.1
Eur Value C	OT	OT	LUX	11/26	USD	12.63	18.9	17.3	-19.7
Eur Value C	OT	OT	LUX	11/26	EUR	8.42	18.9	17.3	-19.7
Eur Value I	OT	OT	LUX	11/26	USD	15.06	20.2	18.7	-18.7
Eur Value I	OT	OT	LUX	11/26	EUR	10.04	20.2	18.7	-18.7
Gl Balanced (Euro) A	OT	OT	LUX	11/26	USD	16.83	18.4	19.9	-11.0
Gl Balanced (Euro) B	OT	OT	LUX	11/26	USD	16.41	17.3	18.7	-11.8
Gl Balanced (Euro) C	OT	OT	LUX	11/26	USD	16.69	18.0	19.4	-11.2
Gl Balanced (Euro) I	OT	OT	LUX	11/26	USD	17.11	NS	NS	NS
Gl Balanced A	US	BA	LUX	11/26	USD	16.40	23.4	27.9	-10.0
Gl Balanced B	US	BA	LUX	11/26	USD	15.61	22.3	26.7	-10.9
Gl Balanced C	OT	OT	LUX	11/26	USD	16.16	23.1	27.5	-10.3
Gl Balanced C	OT	OT	LUX	11/26	EUR	10.77	23.1	27.5	-10.3
Gl Balanced I	US	BA	LUX	11/26	USD	17.00	24.2	28.8	-9.4
Gl Bond A	US	BD	LUX	11/26	USD	9.34	13.1	17.4	4.7
Gl Bond A2	US	BD	LUX	11/26	USD	16.12	13.4	17.3	4.6
Gl Bond A2	OT	OT	NA	11/25	HKD	124.85	13.4	17.3	4.6
Gl Bond AT	OT	OT	LUX	11/25	HKD	72.39	13.5	17.4	4.6
Gl Bond AT	US	BD	LUX	11/26	USD	9.35	13.5	17.4	4.6
Gl Bond B	US	BD	LUX	11/26	USD	9.34	12.2	16.3	3.6
Gl Bond B2	US	BD	LUX	11/26	USD	14.13	12.4	16.1	3.6
Gl Bond B2	OT	OT	NA	11/25	HKD	109.43	12.4	16.1	3.6
Gl Bond BT	OT	OT	LUX	11/25	HKD	72.62	12.4	16.2	3.6
Gl Bond BT	US	BD	LUX	11/26	USD	9.38	12.4	16.2	3.6
Gl Bond C	US	BD	LUX	11/26	USD	9.34	12.7	16.9	4.2
Gl Bond C2	US	BD	LUX	11/26	USD	14.00	13.0	16.9	4.2
Gl Bond I	US	BD	LUX	11/26	USD	9.34	13.6	18.1	5.3
Gl Conservative A	US	BA	LUX	11/26	USD	14.96	16.1	19.4	-3.6
Gl Conservative A2	US	BA	LUX	11/26	USD	16.92	16.0	19.3	-3.7
Gl Conservative B	US	BA	LUX	11/26	USD	14.92	15.0	18.1	-4.6
Gl Conservative B2	US	BA	LUX	11/26	USD	16.09	15.0	18.1	-4.6
Gl Conservative C	US	BA	LUX	11/26	USD	14.94	15.6	18.9	-4.1
Gl Conservative C2	US	BA	LUX	11/26	USD	16.56	15.6	18.8	-4.1
Gl Conservative I	US	BA	LUX	11/26	USD	15.03	17.0	20.3	-2.9
Gl Eq Blend A	GL	EQ	LUX	11/26	USD	11.52	28.9	33.8	-20.1
Gl Eq Blend B	GL	EQ	LUX	11/26	USD	10.82	27.7	32.4	-20.9
Gl Eq Blend C	GL	EQ	LUX	11/26	USD	11.32	28.3	33.2	-20.5
Gl Eq Blend I	GL	EQ	LUX	11/26	USD	12.14	29.8	34.9	-19.5
Gl Growth A	GL	EQ	LUX	11/26	USD	41.36	28.2	31.7	-20.8
Gl Growth B	GL	EQ	LUX	11/26	USD	34.56	27.1	30.4	-21.6
Gl Growth C	GL	EQ	LUX	11/26	USD	39.71	27.7	31.1	-21.2
Gl Growth I	GL	EQ	LUX	11/26	USD	45.90	29.2	32.8	-20.2
Gl High Yield A	US	BD	LUX	11/26	USD	4.26	55.9	65.1	3.8
Gl High Yield A2	US	BD	LUX	11/26	USD	9.05	57.1	64.8	3.9
Gl High Yield A2	OT	OT	NA	11/25	HKD	70.22	57.1	64.8	3.9
Gl High Yield AT	OT	OT	NA	11/25	HKD	32.94	57.2	64.9	3.8
Gl High Yield AT	US	BD	LUX	11/26	USD	4.24	57.2	64.9	3.8
Gl High Yield B	US	BD	LUX	11/26	USD	4.26	54.2	62.9	2.6
Gl High Yield B2	US	BD	LUX	11/26	USD	14.56	55.7	63.2	2.8
Gl High Yield B2	OT	OT	NA	11/25	HKD	113.07	55.7	63.2	2.8
Gl High Yield BT	OT	OT	NA	11/25	HKD	33.48	55.4	63.0	2.8
Gl High Yield BT	US	BD	LUX	11/26	USD	4.31	55.4	63.0	2.8
Gl High Yield C	US	BD	LUX	11/26	USD	4.26	55.1	64.2	3.3
Gl High Yield C2	US	BD	LUX	11/26	USD	13.42	56.6	64.1	3.4
Gl High Yield I	US	BD	LUX	11/26	USD	4.26	56.8	66.4	4.5
Gl Value A	GL	EQ	LUX	11/26	USD	11.01	29.7	36.1	-19.5
Gl Value B	GL	EQ	LUX	11/26	USD	10.12	28.4	34.8	-20.3
Gl Value C	GL	EQ	LUX	11/26	USD	10.70	29.1	35.4	-19.9
Gl Value I	GL	EQ	LUX	11/26	USD	11.69	30.5	37.0	-18.9
Gl. Thematic Res. A	OT	OT	LUX	11/26	USD	14.67	67.7	81.3	-4.2
Gl. Thematic Res. B	OT	OT	LUX	11/26	USD	12.85	66.2	79.7	-5.1
Gl. Thematic Res. I	OT	OT	LUX	11/26	USD	16.35	68.9	82.9	-3.4
Greater China A	AS	EQ	LUX	11/26	USD	39.58	54.3	66.5	-15.6
Greater China B	AS	EQ	LUX	11/26	USD	35.06	52.9	64.8	-16.4
Greater China C	AS	EQ	LUX	11/26	USD	39.09	53.7	65.8	-16.0
India Growth A	OT	OT	LUX	11/26	USD	123.15	NS	NS	NS
India Growth AX	OT	OT	LUX	11/26	USD	107.62	86.3	105.1	-7.7
India Growth B	OT	OT	LUX	11/26	USD	129.14	NS	NS	NS
India Growth BX	OT	OT	LUX	11/26	USD	92.08	84.6	103.0	-8.6
India Growth I	EA	EQ	LUX	11/26	USD	111.47	87.0	105.9	-7.4
Int'l Health Care A	OT	EQ	LUX	11/26	USD	134.58	14.6	21.9	-8.9
Int'l Health Care B	OT	EQ	LUX	11/26	USD	113.62	13.6	20.7	-9.8
Int'l Health Care C	OT	EQ	LUX	11/26	USD	129.03	14.1	21.4	-9.3
Int'l Health Care I	OT	EQ	LUX	11/26	USD	146.92	15.4	22.9	-8.1
Int'l Technology A	OT	EQ	LUX	11/26	USD	105.00	43.5	47.6	-11.8
Int'l Technology B	OT	EQ	LUX	11/26	USD	91.07	42.3	46.1	-12.7
Int'l Technology C	OT	EQ	LUX	11/26	USD	101.51	43.0	46.9	-12.2
Int'l Technology I	OT	EQ	LUX	11/26	USD	117.64	44.6	48.8	-11.1
Japan Eq Blend A	JP	EQ	LUX	11/26	JPY	5404.00	0.7	5.6	-25.8
Japan Eq Blend B	JP	EQ	LUX	11/26	JPY	5219.00	-0.2	4.6	-26.6
Japan Eq Blend C	JP	EQ	LUX	11/26	JPY	5320.00	0.3	5.2	-26.2
Japan Growth A	JP	EQ	LUX	11/26	JPY	5334.00	-4.1	-0.7	-25.9
Japan Growth B	JP	EQ	LUX	11/26	JPY	5152.00	-5.0	-1.6	-26.7
Japan Growth C	JP	EQ	LUX	11/26	JPY	5252.00	-4.5	-1.1	-26.3
Japan Strat Value A	JP	EQ	LUX	11/26	JPY	5462.00	5.9	12.2	-25.9
Japan Strat Value B	JP	EQ	LUX	11/26	JPY	5281.00	5.0	11.1	-26.7
Japan Strat Value C	JP	EQ	LUX	11/26	JPY	5373.00	5.5	11.7	-26.3
Real Estate Sec. A	OT	EQ	LUX	11/26	USD	13.76	29.0	44.1	-16.7
Real Estate Sec. B	OT	EQ	LUX	11/26	USD	12.59	27.8	42.6	-17.5
Real Estate Sec. I	OT	EQ	LUX	11/26	USD	14.78	29.9	45.3	-16.0
Short Mat Dollar A	US	BD	LUX	11/26	USD	7.22	10.3	11.3	-6.7
Short Mat Dollar A2	US	BD	LUX	11/26	USD	9.69	10.6	11.3	-6.8
Short Mat Dollar AT	US	BD	LUX	11/26	USD	7.22	10.6	11.3	-6.8
Short Mat Dollar B	US	BD	LUX	11/26	USD	7.22	9.9	10.8	-7.2
Short Mat Dollar B2	US	BD	LUX	11/26	USD	9.65	10.2	10.8	-7.2
Short Mat Dollar BT	OT	OT	LUX	11/26	USD	7.24	9.5	10.3	-7.5
Short Mat Dollar C	US	BD	LUX	11/26	USD	7.22	9.9	10.8	-7.2
Short Mat Dollar C2	US	BD	LUX	11/26	USD	13.64	10.2	10.7	-7.2
Short Mat Dollar I	US	BD	LUX	11/26	USD	7.22	10.8	11.9	-6.2

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	10/30	USD	1642.69	69.6	71.6	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	11/25	USD	119.79	19.8	19.4	10.1
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	09/30	USD	94.24	12.2	-6.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	09/30	USD	108.96	6.0	3.6	-31.0
Platinm-Emancipation	OT	OT	USA	09/30	USD	96.83	29.4	0.4	-7.7
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	09/30	USD	59.71	27.4	-18.1	-32.3
Platinm-Nordic	OT	OT	CYM	09/30	SEK	591.49	8.4	-6.2	-19.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	09/30	USD	55.93	NS	8.3	-39.0
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	11/24	USD	49.38	-40.7	-37.2	1.5
Superfund GCT USD*	GL	EQ	LUX	11/24	USD	2532.00	-30.7	-29.1	2.6
Superfund Green Gold A (SPC)	OT	OT	CYM	11/24	USD	1139.48	-2.0	18.2	17.9
Superfund Green Gold B (SPC)	OT	OT	CYM	11/24	USD	1157.81	-14.1	4.2	15.3
Superfund Q-AG*	OT	OT	AUT	11/24	EUR	7168.00	-18.2	-16.5	5.5
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	10/30	EUR	939.64	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	10/30	GBP	943.02	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	10/30	USD	1189.62	-6.2	-1.5	3.1
Winton Futures EUR Cls C	OT	OT	VGB	10/30	EUR	192.39	-6.5	0.0	7.8
Winton Futures GBP Cls D	OT	OT	VGB	10/30	GBP	207.72	-6.4	0.6	8.9
Winton Futures JPY Cls E	OT	OT	VGB	10/30	JPY	13589.60	-7.9	-1.6	4.9
Winton Futures USD Cls B	OT	OT	VGB	10/30	USD	682.02	-7.0	-0.3	7.5
■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	11/27	EUR	48.87	25.7	31.6	-12.3
Industria AE	EU	EQ	DEU	11/27	EUR	67.61	29.2	26.4	-17.9
InternRent AE	EU	BD	DEU	11/27	EUR	35.39	4.2	1.7	9.3

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

MARKETS

Hang Seng slides 4.8% as credit worries weigh

Concern over Dubai hits Nikkei, Kospi; financials hurt most

By Alex Frangos

HONG KONG—Markets across Asia suffered one of their worst days in months Friday on fears that Dubai's credit problems show the global financial sector isn't yet healed.

Hong Kong's Hang Seng tumbled 4.8% to 21134.50, its biggest one-day drop in nearly a year, while South Korea's Kospi dropped 4.7% to 1524.50, its lowest close since July 29. Japan's Nikkei Stock Average of 225 companies fell 3.2% to 9081.52, its largest one-day fall since March.

ASIAN-PACIFIC STOCKS

Financials took a hit as investors became jittery about banks' potential exposure to **Dubai World**'s debt, and other debt issued in Dubai, even though a number of banks across the region said they had negligible exposure. **HSBC Holdings** skidded 7.6% and **Standard Chartered** dropped 8.6%, both in Hong Kong, on news the banks were directly exposed to Dubai's debt problems.

The fear of European banking trouble hit Korean shares particularly hard. Local banks and businesses have some exposure to Dubai, but more importantly rely on loans generated from European banks who are now under pressure. "People are more worried about the size of European financial firms' exposure to Dubai debt," said Choi Seong-lak, an analyst at SK Securities. **KB Financial Group** skidded 7.1%, and **Woori Finance Holdings** sank 12%.

Construction stocks that are active in the Middle East also were caught up in the Dubai fallout. **Daewoo Engineering & Construction** fell 8.3% and **Hyundai Engineering & Construction** lost 6.9%, both in Seoul, while **Kajima** plunged 14% and **Obayashi** lost 8.7%, both in Tokyo.

The Dubai news seems to have rattled a market that was already skeptical about the sharp rise in share prices in recent months. Financial instability in Vietnam and widening bond spreads in Greece and Spain have revived concerns that the global financial system is overleveraged.

"Market movements often need a catalyst and the market movement was ready to happen anyway," says Denis Gould, director of investment in Asia for AXA Investment Managers. "The structural problems with the global economy are still there.... You just needed a piece of news on a quiet day when America was out," he said.

Resource stocks fell amid a general pullback from risk, which sent commodity prices lower.

—Soo-Kyung Seo and V. Phani Kumar contributed to this article.

Ten-year yield at 7-week low in Tokyo trade

By Andrew Monahan

TOKYO—Japanese government bond yields fell Friday as the dollar briefly weakened below 85 yen and Asian stocks tumbled on concerns about global banks' exposure to Dubai debt.

The rush for safe-haven assets pushed the benchmark 10-year yield down 0.0035 percentage point to 1.245%, a seven-week low. Analysts said it could fall as low as 1.20% this week if investors continue to pile into safe-haven assets.

BOND MARKETS

"The strong yen has been the main driver for the JGB gains," said RuiXue Xu, strategist with Royal Bank of Scotland. "The market is now watching the reaction from the government and the Bank of Japan," she added.

Finance Minister Hirohisa Fujii warned that if the dollar's slide against the yen continues, it would be abnormal and could merit a government response. Any stronger suggestion of the possibility of currency-market intervention could stave off sharper dollar slides.

But even if such statements emerge, other factors could continue to benefit bonds, chief among them the debt problems of Dubai World, analysts said. Standard & Poor's put Dubai's four major banks on credit watch, heightening concerns over any European and U.S. exposure to the problems.

Dubai sounds an alarm for copper, oil investors

By Andrea Hotter

LONDON—Dubai's attempt to reschedule its debt delivered a wake-up call to commodities investors who have been flocking to gold, copper and oil.

The specter of default by **Dubai World**, the investment arm of the government, has highlighted the fragility of the economy and prompted investors to exit commodities and seek a haven in other assets.

COMMODITIES MARKETS

On Friday, crude oil for January delivery settled $1.91, or 2.4%, lower at $76.05 a barrel on the New York Mercantile Exchange. It lost 1.8% for the week. December gold on the Comex division of Nymex shed $12.80, or 1.1%, to $1,174 a troy ounce, snapping a nine-session winning streak, but posted a gain for the week. December copper fell 7.15 cents, or 2.3%, to $3.0935 a pound. It fell 0.5% for the week, its first weekly drop in three weeks.

Throughout the economic crisis, governments have looked to prop up some assets at a sovereign level, allowing investors a free ride on the back of low interest rates and a weakening dollar, industry participants say. But Abu Dhabi's apparent reluctance to bail out Dubai may mark a watershed, with the rescue culture having numbed investors' appreciation of risk.

"Governments are now under pressure to rein in borrowing, particularly as central banks start to withdraw stimulus measures, thereby removing some of the support for government bond markets. As a result, they may no longer be able to provide such wide-ranging support," said Alex Heath, head of base metals at RBC Capital Markets.

For commodities, the withdrawal of stimulus packages that have shored up demand in key areas such as housing could be devastating.

Many argue that commodities have been long due a correction, and that their underlying fundamentals don't justify the lofty gains seen this year.

For markets like copper, an industrial metal used in housing and construction, where demand is widely expected to outstrip supply in the longer term, the rise to 2009 highs has already exceeded expectations for 2010. The same goes for the price of oil, a market that Jeff Currie, head of commodities research at Goldman Sachs described as "swimming" in inventories.

Harry Tchilinguirian, head of research with BNP Paribas in London, said 2009 will see a severe contraction in oil demand "and we're still not out of that."

Gold is a different story, with the consensus that the current selloff is a temporary blip. The market looks set to remain a beneficiary of U.S. dollar weakness and inflation concerns that have been supporting the metal throughout its rally.

—Claire Rangel and Allen Sykora contributed to this article.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	11/13	USD	242039.82	79.4	82.2	-5.4
■ GAM FUND MANAGEMENT LIMITED									
George's Court, 54-62 Townsend Street, Dublin 2, Ireland									
Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com									
GAM Arbitrage Op	OT	OT	VGB	11/20	USD	1247.48	23.1	5.6	-8.9
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	11/23	JPY	15042.89	60.5	73.7	NS
GAM Asia Equity Hedge US	OT	OT	VGB	11/23	USD	283.80	62.6	75.8	0.0
GAM Asia Equity USD	OT	OT	VGB	11/26	USD	637.19	58.7	81.6	-13.8
GAM Asia-Pacific Eq USD	OT	OT	VGB	11/24	USD	1219.62	13.5	24.1	-17.6
GAM Com Glb Bal EUR Op	US	BA	VGB	11/23	EUR	92.43	15.1	18.7	-9.0
GAM Com Glb Bal USD Op	US	BA	VGB	11/23	USD	127.74	15.1	18.7	-9.0
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	11/23	EUR	93.65	21.3	28.4	-16.1
GAM Comp Glb Eq USD Op	GL	EQ	VGB	11/23	USD	126.68	21.3	28.4	-16.1
GAM Comp Glb Gr EUR Op	US	BA	VGB	11/23	EUR	82.80	15.2	20.6	-13.3
GAM Comp Glb Gr USD Op	US	BA	VGB	11/23	USD	126.58	15.2	20.6	-13.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	11/20	USD	239.69	31.6	43.9	-13.4
GAM Cross Trading Inc	OT	OT	VGB	11/23	USD	467.75	6.9	7.2	NS
GAM Diversity CHF Op	OT	OT	VGB	11/23	CHF	94.42	4.4	2.5	-7.0
GAM Diversity EUR Op	OT	OT	VGB	11/23	EUR	649.12	5.2	3.6	-5.3
GAM Diversity USD 2.5XL	OT	OT	VGB	10/30	USD	76.73	6.4	-4.0	-22.6
GAM Diversity USD Op	OT	OT	VGB	11/23	USD	681.66	5.2	4.2	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	11/23	CHF	99.73	4.2	2.8	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	11/23	EUR	139.02	4.8	2.9	-5.5
GAM Dvrsty II USD Op	OT	OT	VGB	11/23	USD	210.63	4.8	3.6	-5.7
GAM DvrstyIII EUR Op	OT	OT	VGB	10/30	EUR	114.70	3.8	-0.4	-6.5
GAM DvrstyIII USD Op	OT	OT	VGB	10/30	USD	121.09	3.8	-0.1	-6.6
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	11/23	EUR	212.73	7.9	8.6	-5.7
GAM Euro Eq Hdg USD Op	OT	OT	VGB	11/23	USD	197.95	8.7	11.5	-4.1
GAM European Equity USD	OT	OT	VGB	11/26	USD	295.59	30.9	39.5	-12.6
GAM GAMCO	OT	EQ	VGB	11/24	USD	800.55	38.0	56.9	-11.4
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	10/30	EUR	97.64	13.2	12.7	-17.5
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	11/23	USD	105.02	16.0	16.3	-15.1
GAM Gbl Divers USD Inc.	GL	EQ	VGB	11/23	USD	250.10	22.5	31.1	-8.3
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	11/23	USD	278.90	95.3	117.5	17.5
GAM Intrst Trend II	GL	BD	VGB	11/23	USD	95.94	45.2	40.8	-10.1
GAM Intrst Trend Inc	OT	OT	VGB	11/23	USD	254.05	59.5	53.3	-4.6
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	11/23	EUR	109.31	2.4	-0.8	-9.0
GAM Japan Eq Hdg USD Op	OT	OT	VGB	11/23	USD	114.17	1.5	7.6	NS
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	10/30	JPY	8507.22	10.3	23.5	-21.8
GAM Japan USD	JP	EQ	VGB	11/26	USD	1023.22	-1.1	12.0	-20.1
GAM Japan YEN	JP	EQ	VGB	11/26	JPY	7929.94	-1.0	7.3	-26.1
GAM Money Mkt EuroOp	EU	MM	VGB	11/25	EUR	51.19	0.1	0.3	1.8
GAM Money Mkt USD	US	MM	VGB	11/25	USD	100.02	0.0	0.0	1.0
GAM Multi-Arb EUR Op	OT	OT	VGB	11/23	EUR	113.51	1.3	-1.9	-8.7
GAM Multi-Arb USD Op	OT	OT	VGB	10/30	USD	118.02	1.1	-5.6	-9.4
GAM Multi-China EUR Op	OT	OT	VGB	10/30	EUR	159.17	7.2	7.9	-15.9
GAM Multi-China USD Op	OT	OT	VGB	10/30	USD	167.40	7.8	8.4	4.1
GAM Multi-Emer Mkts GBP	OT	OT	VGB	10/30	GBP	127.90	22.3	20.4	-4.2
GAM Multi-Emer Mkts USD	OT	OT	VGB	11/23	USD	644.45	24.4	22.9	-2.9
GAM Multi-Eur EUR Op	OT	OT	VGB	10/30	EUR	265.40	5.7	5.1	-12.5
GAM Multi-Eur II EUR Op	OT	OT	VGB	11/23	EUR	137.78	6.6	6.0	-10.3
GAM Multi-Eur II USD Op	OT	OT	VGB	11/23	USD	112.70	6.3	5.6	-11.2
GAM Multi-Eur USD Op	OT	OT	VGB	10/30	USD	462.12	5.5	4.6	-13.5
GAM Multi-Nth Am EUR Special	OT	OT	VGB	11/23	EUR	132.52	11.2	11.0	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	11/23	USD	215.93	11.6	14.3	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	10/30	EUR	140.15	2.8	2.4	-6.4
GAM Multi-Pac USD Op	OT	OT	VGB	11/23	USD	163.35	3.9	3.3	-5.4
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	11/20	USD	2507.23	61.1	60.2	8.2
GAM Sing/Malaysia	AS	EQ	VGB	11/26	USD	2485.92	49.6	54.4	-10.6
GAM Sterling Spe Bd Inc	OT	OT	VGB	11/23	GBP	240.92	39.5	35.5	2.4
GAM Trading EUR Inc	OT	OT	VGB	11/23	EUR	326.42	6.8	6.6	7.5
GAM Trading USD Inc	OT	OT	VGB	11/23	USD	976.92	7.0	6.7	6.9
GAM Trdg II IncEUR Op	OT	OT	VGB	11/23	EUR	139.65	6.7	6.5	7.4
GAM Trdg II IncUSD Op	OT	OT	VGB	11/23	USD	317.20	7.0	6.8	7.0
GAM Trdg IV IncEUR Op	OT	OT	VGB	11/23	EUR	147.36	6.5	6.2	7.0
GAM Trdg IV IncUSD Op	OT	OT	VGB	11/23	USD	155.13	6.7	6.5	6.8
GAM Trdg V IncEUR Op	OT	OT	VGB	10/30	EUR	124.10	5.8	6.6	7.1
GAM Trdg V IncUSD Op	OT	OT	VGB	10/30	USD	129.23	5.9	7.1	6.8
GAM TrdgIII IncEUR Op	OT	OT	VGB	11/23	EUR	157.56	6.5	6.1	7.1
GAM TrdgIII IncUSD Op	OT	OT	VGB	11/23	USD	163.16	6.7	6.5	6.9
GAM USDSpecBondInc	US	BD	VGB	11/23	USD	521.35	71.5	67.7	7.4
GAM Worldwide	GL	EQ	VGB	11/26	USD	2218.50	27.4	37.2	-9.5
GAMut Investments	OT	OT	VGB	11/18	USD	7653.57	5.4	8.0	7.8
■ GAM Star Fund Plc									
GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	11/26	CHF	10.40	47.8	55.4	-16.1
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	11/26	EUR	11.05	48.5	62.0	-11.9
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	11/26	GBP	1.49	41.1	74.0	-1.1
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	11/26	USD	13.04	61.2	88.5	-10.7
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	11/26	EUR	93.21	10.9	15.5	-15.7
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	11/26	EUR	90.21	10.9	15.5	-15.7
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	11/26	EUR	10.34	21.2	22.6	-11.8
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	11/26	EUR	173.40	22.3	21.6	-13.9
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	11/26	EUR	158.44	22.2	21.5	-13.9
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	11/26	USD	15.87	32.5	41.2	-12.8
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	11/26	USD	14.39	32.4	41.1	-12.8
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	11/25	USD	5.84	24.1	26.5	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	11/26	EUR	80.00	-2.0	3.1	-16.3
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	11/26	EUR	80.00	-2.0	3.1	-16.3
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	11/26	JPY	828.42	-0.6	6.6	-24.9
GAMStar-JpnEq USD Acc	JP	EQ	IRL	11/26	USD	10.34	-1.7	10.0	-18.9
GAMStar-World EqUSD Acc	GL	EQ	IRL	11/26	USD	2196.14	28.3	38.3	-9.0

EFG HERMES

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ HERMES FINANCIAL MANAGEMENT (EGYPT) LIMITED, AMSALES@EFG-HERMES.COM									
*Tel: 9714 363 4041 *Middle East & Developing Africa Fund*									
EFG-Hermes Egypt	GL	EQ	BMU	10/30	USD	43.54	25.9	29.9	-14.4
EFG-Hermes MEDA☆	GL	EQ	BMU	09/30	USD	24.16	15.3	-17.3	-10.4
EFG-Hermes Saudi Arabia Equity	EA	EQ	SAU	10/27	SAR	6.27	32.3	11.2	NS
EFG-Hermes Telecom	OT	EQ	BMU	09/30	USD	29.73	16.0	-0.1	-8.2
■ LLOYD GEORGE MANAGEMENT (HK) LTD									
Suite 3808, One Exchange Square, HK: Tel. 852 2845 4433 Fax. 852 2845 3911									
LG Antenna	GL	EQ	BMU	11/20	USD	59.02	72.9	83.7	-10.9
LG Asian Plus	AS	EQ	CYM	11/06	USD	54.16	43.3	41.3	-24.1
LG AsianSmallerCo's	AS	EQ	BMU	11/26	USD	93.19	69.0	88.8	-22.1
LG India	EA	EQ	MUS	11/26	USD	63.56	99.2	136.9	-11.9

Manulife WEALTH MANAGEMENT 宏利財富管理

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110									
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong									
American Growth	US	EQ	LUX	11/27	USD	14.83	23.7	28.4	-13.2
American Growth AA	US	EQ	LUX	11/27	USD	0.85	23.3	29.0	-7.6
Asian Equity	AS	EQ	LUX	11/27	USD	2.30	60.2	77.7	-9.8
Asian Equity AA	AS	EQ	LUX	11/27	USD	0.74	59.7	77.1	-10.1
Asian Sm Cap Equity AA	AS	EQ	LUX	11/27	USD	1.08	84.8	113.5	-6.5
China Value A	AS	EQ	LUX	11/27	USD	6.77	62.0	81.6	-7.4
China Value AA	AS	EQ	LUX	11/27	USD	2.13	61.7	81.1	-7.6
Dragon Growth	AS	EQ	LUX	11/27	USD	1.56	66.3	81.6	-9.2
Dragon Growth AA	OT	OT	LUX	11/27	HKD	7.59	66.2	81.0	-10.1
Emg Eastrn Europe A	EU	EQ	LUX	11/27	USD	4.31	89.2	90.0	-18.2
Emg Eastrn Europe AA	EU	EQ	LUX	11/27	USD	1.86	88.9	89.8	-18.3
European Growth	EU	EQ	LUX	11/27	USD	8.96	42.8	56.7	-18.3
European Growth AA	EU	EQ	LUX	11/27	USD	0.64	42.4	56.3	-18.6
Global Contrarain AA	GL	EQ	LUX	11/26	USD	0.87	79.6	108.4	NS
Global Property AA	OT	EQ	LUX	11/27	USD	0.64	40.6	56.7	-17.0
Global Resources AA	OT	EQ	LUX	11/27	USD	1.09	58.5	83.3	-10.1
Healthcare AA	OT	EQ	LUX	11/26	USD	0.92	11.9	21.3	NS
India Equity AA	EA	EQ	LUX	11/27	USD	1.03	73.1	87.0	-18.0
International Growth	GL	EQ	LUX	11/27	USD	2.99	21.5	29.4	-16.0
International Growth AA	GL	EQ	LUX	11/27	USD	0.69	21.2	29.1	-16.2
Japanese Growth	JP	EQ	LUX	11/27	USD	2.60	2.5	17.4	-16.7
Japanese Growth AA	JP	EQ	LUX	11/27	USD	0.68	2.3	17.2	-16.7
Latin America Equity AA	GL	EQ	LUX	11/27	USD	1.24	103.1	117.6	-3.1
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	11/26	USD	1.10	NS	NS	NS
Russia Equity AA	EE	EQ	LUX	11/27	USD	0.61	130.8	127.9	-20.9
Taiwan Equity AA	AS	EQ	LUX	11/27	USD	0.99	75.5	94.9	-1.9
Turkey Equity AA	EE	EQ	LUX	11/26	USD	0.66	79.1	103.5	-17.9
U.S. Bond AA	US	BD	LUX	11/27	USD	1.11	18.2	22.2	7.7
U.S. High Yield Bond AA	US	BD	LUX	11/27	USD	0.74	65.1	73.1	-5.3
U.S. Sm Cap Equity AA	US	EQ	LUX	11/27	USD	0.78	63.0	71.8	-14.8
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	11/27	USD	1.17	9.9	17.9	4.0
■ PT CIPTADANA ASSET MANAGEMENT									
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com									
Indonesian Grth Fund	EA	EQ	CYM	11/25	USD	123.19	113.5	175.1	-1.4

Sensible Asset Management
A Value Partners Group company

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ SENSIBLE ASSET MANAGEMENT LIMITED									
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948									
Asia Value Formula Fd-B	AS	EQ	CYM	11/26	USD	7.82	82.3	108.0	-7.2

SOCIETE GENERALE
Asset Management

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM									
SGAM Fund									
Bonds Eur Hi Yld A	EU	BD	LUX	11/25	EUR	20.28	52.6	51.3	-2.1
Bonds EURO A	EU	BD	LUX	11/26	EUR	41.32	4.6	6.0	5.2
Bonds EUROPE A	EU	BD	LUX	11/26	EUR	39.25	3.6	4.2	4.2
Bonds US OppsCoreplus A	US	BD	LUX	11/25	USD	37.19	17.9	23.0	9.1
Bonds World A	GL	BD	LUX	11/25	USD	44.18	10.9	17.7	7.9
Eq. China A	AS	EQ	LUX	11/26	USD	24.12	61.4	85.8	-14.5
Eq. ConcentratedEuropeA	EU	EQ	LUX	11/26	EUR	25.56	24.1	28.1	-19.2
Eq. Eastern Europe A	EU	EQ	LUX	11/26	EUR	21.20	60.5	46.6	-28.5
Eq. Euroland A	EU	EQ	LUX	11/26	EUR	10.22	11.5	15.2	-22.1
Eq. EurolandCyclclsA	EU	EQ	LUX	11/26	EUR	16.83	22.5	26.3	-17.1
Eq. EurolandFinancialA	OT	EQ	LUX	11/25	EUR	11.59	37.6	41.5	-18.5
Eq. Glbl Emg Cty A	GL	EQ	LUX	11/26	USD	9.46	58.3	76.4	-14.3
Eq. Global A	GL	EQ	LUX	11/26	USD	27.51	30.8	37.2	-14.6
Eq. Global Energy A	OT	EQ	LUX	11/26	USD	17.96	26.0	21.4	-13.2
Eq. Global Technol A	OT	OT	LUX	04/24	USD	4.46	22.1	-29.7	-21.6
Eq. Gold Mines A	OT	EQ	LUX	11/26	USD	32.94	57.6	99.7	3.8
Eq. Pacific A	AS	EQ	LUX	11/26	USD	10.16	59.1	76.7	-13.8
Eq. US Lg Cap Gr A	US	EQ	LUX	11/25	USD	15.04	39.5	45.2	-12.6
Eq. US Rel Val A	US	EQ	LUX	11/25	USD	20.33	30.9	41.0	-13.9
Eq. US Sm Cap Val A	US	EQ	LUX	11/25	USD	15.13	16.9	30.0	-21.5
Money Market EURO A	EU	MM	LUX	11/25	EUR	27.39	1.0	1.3	2.8
Money Market USD A	US	MM	LUX	11/25	USD	15.83	0.5	0.8	1.9

المستثمر الوطني The National Investor

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ THE NATIONAL INVESTOR									
*TNI Tower	Zayed 1st Street Khalidia| Web:www.tni.ae*									
TNI Mena Real Estate Fund	OT	OT	BMU	11/19	USD	1032.24	9.8	4.5	-22.3
TNI MENA Special Sits Fund	OT	OT	BMU	10/29	USD	1139.93	17.4	NS	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	11/19	AED	6.23	35.9	15.8	-24.6

Value Partners
Investing through discipline

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487									
☆formerly known as China ABH Shares Fund									
Intel-Chin MainInd Foc	AS	EQ	CYM	11/16	USD	29.76	85.5	NS	-0.4
Intel-China Converg☆	AS	EQ	CYM	11/16	USD	114.18	87.4	NS	-1.9
VP Classic - A	AS	EQ	CYM	11/26	USD	181.68	78.2	102.1	-2.8
VP Classic - B	AS	EQ	CYM	11/26	USD	84.72	77.4	101.1	-3.4
VP High Dividend Stk	AS	EQ	CYM	11/23	USD	44.58	79.4	91.8	-2.2

yuki
Yuki Management & Research
Tel +81-3-5296-3277 www.yukijapan.co.jp

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ YUKI INTERNATIONAL LIMITED									
Tel +44-207-269 0203 www.yukifunds.com									
■ YMR-N Series									
YMR-N Growth Fund	OT	OT	IRL	11/27	JPY	8273.00	-1.2	3.0	-29.3
YMR-N Small Cap Fund	OT	OT	IRL	11/27	JPY	6403.00	2.4	8.4	-28.0
■ Yuki 77 Series									
Yuki 77 General	JP	EQ	IRL	11/27	JPY	5418.00	-8.2	-5.2	-31.5
Yuki 77 Growth	JP	EQ	IRL	11/27	JPY	5125.00	-13.4	-10.4	-36.0
■ Yuki Chugoku Series									
Yuki Chugoku Jpn Gen	JP	EQ	IRL	11/27	JPY	6015.00	-3.6	-1.7	-28.3
Yuki Chugoku JpnLowP	JP	EQ	IRL	11/27	JPY	6809.00	-16.9	-12.3	-28.5
■ Yuki Hokuyo Japan Series									
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	11/27	JPY	4052.00	-10.9	-8.7	-31.9
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	11/27	JPY	4723.00	-10.5	-9.0	-25.3
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	11/27	JPY	4665.00	-0.9	4.3	-27.7
■ Yuki Mizuho Series									
Yuki Mizuho Gen Jpn III	OT	OT	IRL	11/27	JPY	3813.00	-10.3	-8.9	-35.4
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	11/27	JPY	4067.00	-9.5	-9.1	-35.5
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	11/27	JPY	6034.00	-1.1	1.3	-30.0
Yuki Mizuho Jpn Gen	OT	OT	IRL	11/27	JPY	7473.00	-6.8	-4.2	-30.4
Yuki Mizuho Jpn Gro	OT	OT	IRL	11/27	JPY	5657.00	-9.5	-6.2	-32.7
Yuki Mizuho Jpn Inc	OT	OT	IRL	11/27	JPY	6837.00	-14.0	-11.7	-28.0
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	11/27	JPY	4537.00	-9.0	-7.2	-30.6
Yuki Mizuho Jpn LowP	OT	OT	IRL	11/27	JPY	10187.00	-10.1	-4.5	-26.0
Yuki Mizuho Jpn PGth	OT	OT	IRL	11/27	JPY	7072.00	-7.4	-4.7	-34.5
Yuki Mizuho Jpn SmCp	OT	OT	IRL	11/27	JPY	6483.00	5.7	10.0	-29.7
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	11/27	JPY	5033.00	-3.1	1.9	-26.8
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	11/27	JPY	2564.00	7.4	9.2	-34.2
■ Yuki Shizuoka Japan Series									
Yuki Shizuoka General Japan	JP	EQ	IRL	11/27	JPY	4708.00	-7.7	-5.1	-30.8

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

BLUE CHIPS & BONDS

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Brazil	-2.07%	**102.2%**	105.6%
Russia	1.16	**92.0**	90.0
China 88	-2.97	**73.7**	69.9
Turkey	unch.	**64.9**	71.9
Singapore	0.02	**58.8**	61.7
Sweden	1.46	**48.9**	53.9
Hong Kong	-4.37	**44.2**	52.3
South Korea	-4.97	**38.1**	43.8
Netherlands	0.54	**32.4**	33.1
Canada	0.36	**26.7**	22.2
Australia	-3.02	**22.4**	20.5
Switzerland	1.14	**21.4**	16.4
South Africa	-0.89	**18.2**	23.4
U.K.	0.94	**18.0**	22.8
Italy	1.13	**16.7**	13.2
France	1.18	**16.2**	14.3
Spain	0.99	**15.5**	19.2
Germany	1.27	**12.9**	16.3
Japan	-2.54	**-4.9%**	-2.7

Dow Jones Regional Sector Titans

Basic Res	-0.69%	**76.2%**	81.7%
Tiger 50*	-4.55	**49.2**	59.1
Technology	-1.62	**47.1**	50.8
Nordic 30	1.65	**35.4**	29.2
EU Enlarged†	0.94	**30.7**	23.4
Asian 50	-3.50	**24.2**	33.3
Global 50	-0.84	**20.0**	20.5
Stoxx 50	1.03	**18.3**	14.2
Euro Stoxx 50	1.13	**15.7**	16.5
Arab 50	unch.	**6.1**	5.1

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Friday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Tokyo Elec Power	Japan	Conventional Electricity	$35.5	2,285	**0.88%**	-19.4%	-36.7%
Kansai Elec Power	Japan	Conventional Electricity	22.7	2,070	**0.73**	-19.9	-28.5
Nippon T&T	Japan	Fixed Line Telecommunications	55.7	3,660	**0.55**	-11.8	-37.2
Tokio Marine	Japan	Property Casualty Insurance	21.6	2,380	**unch.**	2.8	-42.8
Takeda Pharm	Japan	Pharmaceuticals	31.9	3,510	**-0.28%**	-23.9	-53.7
KB Fncl Group	South Korea	Banks	$18.5	56,400	**-7.08%**	92.1	-18.7
Shinhan Financial Grp	South Korea	Banks	17.8	44,150	**-6.26**	49.8	0.4
China Life Ins	Hong Kong	Life Insurance	36.1	37.60	**-5.88**	88.6	98.9
JFE Hldgs	Japan	Iron Steel	16.8	2,765	**-5.79**	19.4	-48.8
Mitsui	Japan	Industrial Suppliers	23.0	1,105	**-5.39**	30.6	-31.2

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
East Japan Railway Japan (Travel Tourism)	26.6	5,770	**-0.52%**	-21.5%	-27.7%

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Seven I Hldgs Japan (Broadline Retailers)	19.7	1,897	**-0.78**	-29.7	-48.5
NTT DoCoMo Japan (Mobile Telecommunications)	63.3	129,000	**-0.85**	-18.5	-28.7
Woolworths Australia (Food Retailers Wholesalers)	31.1	27.89	**-1.06**	4.1	28.2
KDDI Japan (Mobile Telecommunications)	23.3	458,000	**-1.29**	-26.1	-41.6
Shin-Etsu Chml Japan (Specialty Chemicals)	21.9	4,490	**-1.54**	23.4	-40.9
Westfield Grp Australia (Retail REITs)	24.5	11.88	**-1.66**	-20.7	-37.9
Mitsubishi UFJ Finl Grp Japan (Banks)	59.1	444.00	**-2.20**	-14.8	-70.0
Toyota Motor Japan (Automobiles)	119.6	3,300	**-2.37**	10.0	-52.7
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	35.6	135.00	**-2.53**	141.1	-9.6
Cheung Kong (Hldgs) Hong Kong (Real Estate Holding Development)	28.5	95.20	**-2.61**	30.4	5.6
Canon Japan (Electronic Office Equipment)	45.5	3,200	**-2.74**	13.3	-47.4
Nintendo Japan (Toys)	31.4	21,310	**-2.78**	-28.1	-21.6
Woodside Petroleum Australia (Exploration Production)	30.9	48.10	**-2.81**	33.4	28.3
RioZim Ltd Australia (General Mining)	37.7	68.55	**-2.97**	86.4	16.6
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	36.7	110.80	**-3.06**	80.6	28.6
Hutchison Whampoa Hong Kong (Diversified Industrials)	28.3	51.40	**-3.11**	32.1	-28.5
QBE Ins Grp Australia (Reinsurance)	19.7	21.73	**-3.12**	-8.5	-13.9
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	48.1	60.00	**-3.23**	47.8	-8.4
BHP Billiton Australia (General Mining)	122.7	40.39	**-3.37**	30.3	55.8
Commonwealth Bk of Australia Australia (Banks)	69.6	50.60	**-3.40%**	48.4%	7.4%
China Mobile (HK) Hong Kong (Mobile Telecommunications)	184.1	71.75	**-3.50**	0.9	12.5

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.14%	0.50%	1.7%	7.4%	8.9%
Event Driven	0.31	0.76	4.6	14.4	8.6
Equity Long/Short	-0.07	-1.04	-0.2	3.0	-4.1

*Estimates as of 11/25/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.89	100.51%	0.01%	1.00	0.78	0.86
Eur. High Volatility: 12/1	1.41	98.13	0.01	1.76	1.33	1.45
Europe Crossover: 12/1	5.38	98.48	0.05	6.15	4.87	5.34
Asia ex-Japan IG: 12/1	1.16	99.24	0.01	1.26	0.96	1.10
Japan: 12/1	1.48	97.71	0.01	1.53	0.99	1.30

Note: Data as of November 26

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Victor Co of Japan	"1,806"	**-37**	-2	51
NEC Electrs	250	**-7**	-7	4
Nomura Secs	148	**-6**	3	8
Kia Mtrs	137	**-5**	-10	-17
Keisei Elec Rwy	47	**-5**	...	...
Kawasaki Kisen Kaisha	216	**-3**	49	66
Mitsubishi Matls	110	**-3**	3	7
Sumitomo Metal Inds	70	**-1**	-2	...
Tokyo Gas	24	**-1**	1	7
CNOOC	85	**-1**	...	-5

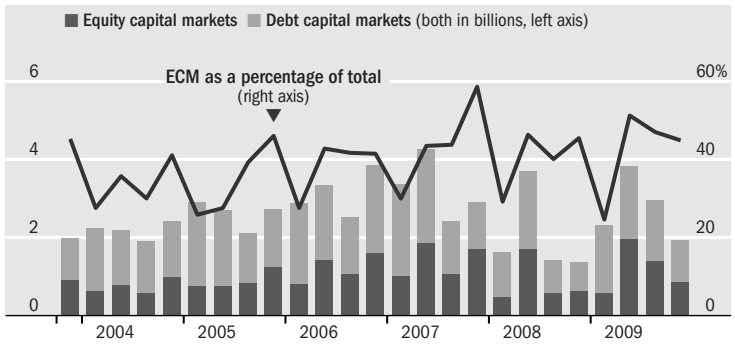
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Taiheiyo Cem	519	**11**	19	123
Marubeni	201	**13**	9	28
Obayashi	212	**13**	24	67
Socialist Rep Vietnam	229	**17**	22	30
Shimizu	174	**17**	21	54
Rep Philippines	199	**18**	21	14
ORIX	394	**23**	35	-45
Sumitomo Rlty Dev	284	**29**	45	58
Kajima	330	**32**	46	135
Taisei	396	**36**	50	106

Source: Markit Group

Europe: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals

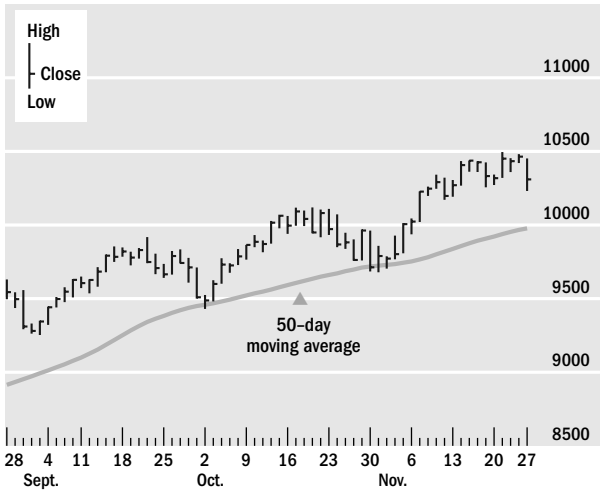


Source: Dealogic

SCANNING THE GLOBE

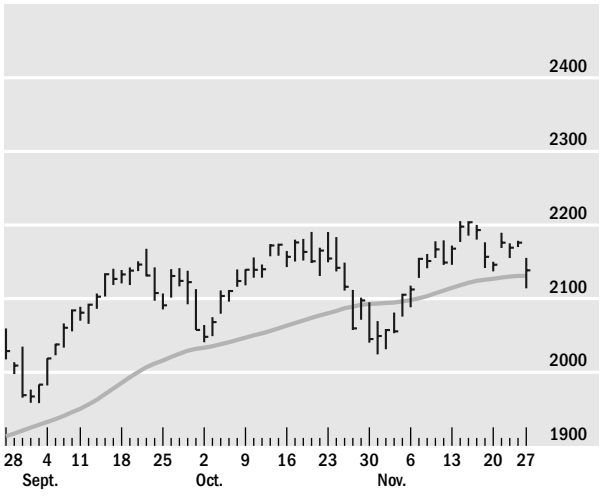
Dow Jones Industrial Average P/E: 18

LAST: **10309.92** ▼ 154.48, or 1.48%
YEAR TO DATE: ▲ **1,533.53, or 17.5%**
OVER 52 WEEKS ▲ **1,480.88, or 16.8%**



Nasdaq Composite Index P/E: 44*

LAST: **2138.44** ▼ 37.61, or 1.73%
YEAR TO DATE: ▲ **561.41, or 35.6%**
OVER 52 WEEKS ▲ **602.87, or 39.3%**



*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**257.7**	$4.06	–$0.11	**–2.64%**
SPDR S&P 500	SPY	**125.9**	109.57	–1.81	**–1.63**
iShrMSCIEmrgMkt	EEM	**105.9**	40.13	–1.62	**–3.88**
BankAm	BAC	**96.6**	15.47	–0.48	**–3.01**
SPDR FnclSelSct	XLF	**75.8**	14.28	–0.39	**–2.66**
DrxFinancBear 3x	FAZ	**63.5**	21.24	1.59	**8.09**
PwrShrs QQQ	QQQQ	**61.1**	43.51	–0.67	**–1.52**
GenElec	GE	**60.9**	15.94	–0.24	**–1.48**
iShrRu2000	IWM	**51.9**	57.58	–1.75	**–2.95**
FordMotor	F	**42.2**	8.73	–0.08	**–0.91**
Intel	INTC	**35.5**	19.11	–0.23	**–1.19**

Biggest gainers...

IncoOppRlty	IOT	**2.4**	$7.59	$2.39	**45.96%**
WestwoodOne	WWON	**7.9**	5.71	1.51	**35.95**
DrxEmMktBear 3x	EDZ	**11,498.2**	5.78	0.61	**11.80**
PrimeRlty pfB	PGEZ	**2.4**	3.65	0.35	**10.61**
M G P Ingred	MGPI	**77.1**	6.48	0.61	**10.39**

...Biggest losers

ING Grp ADS	ING	**12,929.9**	$9.84	-$2.44	**-19.87%**
CtznCmntyBcp	CZWI	**13.6**	3.32	-0.71	**-17.62**
WooriFinHldgs	WF	**42.8**	35.00	-5.64	**-13.88**
TechTarget	TTGT	**18.5**	5.40	-0.80	**-12.90**
FrontierFnl	FTBKD	**60.9**	3.70	-0.51	**-12.11**

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**16.20**	$26.99	-0.09	**-0.33%**
Alcoa	AA	**15.40**	12.66	-0.34	**-2.62**
AmExpress	AXP	**6.00**	40.84	-0.88	**-2.11**
BankAm	BAC	**94.70**	15.47	-0.48	**-3.01**
Boeing	BA	**3.30**	52.45	-0.48	**-0.91**
Caterpillar	CAT	**5.10**	57.45	-1.59	**-2.69**
Chevron	CVX	**5.60**	78.17	-1.47	**-1.85**
CiscoSys	CSCO	**21.50**	23.38	-0.36	**-1.52**
CocaCola	KO	**7.80**	57.18	-0.52	**-0.90**
Disney	DIS	**5.70**	30.35	-0.26	**-0.85**
DuPont	DD	**2.60**	34.40	-0.75	**-2.13**
ExxonMobil	XOM	**12.00**	74.87	-1.60	**-2.09**
GenElec	GE	**60.00**	15.94	-0.24	**-1.48**
HewlettPk	HPQ	**9.80**	49.07	-0.98	**-1.96**
HomeDpt	HD	**7.40**	27.61	-0.24	**-0.86**
Intel	INTC	**35.30**	19.11	-0.23	**-1.19**
IBM	IBM	**3.30**	125.70	-1.58	**-1.24**
JPMorgChas	JPM	**26.00**	41.33	-0.83	**-1.97**
JohnsJohns	JNJ	**6.10**	62.89	-0.41	**-0.65**
KftFoods	KFT	**4.50**	26.64	-0.16	**-0.60**
McDonalds	MCD	**3.50**	63.60	-0.30	**-0.47**
Merck	MRK	**9.00**	36.29	-0.28	**-0.77**
Microsoft	MSFT	**29.00**	29.22	-0.57	**-1.91**
Pfizer	PFE	**22.70**	18.25	-0.34	**-1.83**
ProctGamb	PG	**6.20**	62.48	-0.39	**-0.62**
3M	MMM	**1.90**	76.75	-1.16	**-1.49**
TravelersCos	TRV	**2.40**	51.65	-1.11	**-2.10**
UnitedTech	UTX	**2.60**	67.20	-1.11	**-1.62**
Verizon	VZ	**8.50**	31.63	-0.40	**-1.25**
WalMart	WMT	**7.50**	54.63	-0.33	**-0.60**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.39	$5.72	**Taiwan Semi**	TSM	**5,917.2**	$10.31	-0.17	**-1.62%**
11.73	5.31	**AU Optrncs**	AUO	**3,389.4**	10.41	0.17	**1.66**
15.95	8.56	**China Unicom**	CHU	**2,790.4**	13.35	-0.48	**-3.47**
77.51	32.33	**BHP Billiton**	BHP	**2,478.1**	74.69	-2.82	**-3.64**
3.87	1.62	**Utd Microelectronics**	UMC	**2,380.5**	3.46	-0.08	**-2.26**
18.80	12.59	**SK Telecom**	SKM	**2,180.0**	16.98	-0.46	**-2.64**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,982.5**	5.22	0.09	**1.75**
59.22	40.20	**China Mobile**	CHL	**1,219.1**	47.67	-1.11	**-2.28**
8.19	3.14	**Siliconware Prec Ind**	SPIL	**955.0**	6.73	-0.21	**-3.03**
52.99	21.87	**Infosys Tech**	INFY	**881.9**	50.57	-2.07	**-3.93**
9.50	3.96	**Nomura Hldgs**	NMR	**796.4**	6.92	0.20	**2.98**
79.00	36.22	**China Life Ins**	LFC	**674.8**	75.10	-3.75	**-4.76**
32.79	9.53	**Aluminum Cp of China**	ACH	**571.5**	27.64	-1.16	**-4.03**
4.63	1.36	**Adv Semi Engrg**	ASX	**559.3**	4.12	-0.10	**-2.37**
135.92	63.94	**PetroChina**	PTR	**520.2**	124.97	-5.16	**-3.97**
30.82	15.64	**Sony**	SNE	**503.3**	26.68	-0.78	**-2.84**
15.29	6.85	**Korea Elec Pwr**	KEP	**427.9**	13.77	-0.51	**-3.57**
27.96	17.71	**NTT**	NTT	**413.5**	21.13	0.26	**1.25**
17.66	10.46	**KT Corp**	KTC	**403.2**	16.82	-0.45	**-2.61**
19.56	15.05	**ChunghwaTel**	CHT	**402.4**	17.75	-0.21	**-1.17**
32.99	17.35	**Honda Motor**	HMC	**376.9**	31.04	-0.71	**-2.24**
20.55	4.43	**Yanzhou Coal Mining**	YZC	**348.1**	19.53	-0.98	**-4.78**
167.15	70.12	**CNOOC**	CEO	**315.7**	156.78	-5.81	**-3.57**
150.50	47.09	**POSCO**	PKX	**312.6**	119.83	-4.86	**-3.90**
94.00	46.45	**China Petro & Chem**	SNP	**275.7**	84.50	-3.20	**-3.65**
7.10	2.00	**Alumina**	AWC	**260.8**	5.66	-0.40	**-6.60**
41.25	21.23	**Canon**	CAJ	**233.8**	37.28	-1.05	**-2.74**
34.43	22.25	**Huaneng Power Intl**	HNP	**228.0**	25.31	-0.50	**-1.94**
56.41	31.92	**ChinaTele**	CHA	**213.2**	43.94	-2.07	**-4.50**
38.90	17.51	**Telekom Indonesia**	TLK	**198.6**	37.47	-1.21	**-3.13**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

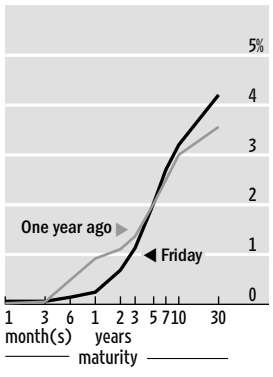
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.305%**	**361.8**	366.8	396.1	**214.0**	**4.410%**	4.898%	**3.258%**
4.500	10	**5.275**	**206.8**	207.2	230.6	**166.7**	**5.340**	5.757	**4.657**
5.250	**Austria** 2	**0.951**	**26.4**	15.9	3.9	**118.4**	**0.901**	0.976	**2.302**
4.350	10	**3.514**	**30.7**	24.4	17.6	**94.9**	**3.512**	3.627	**3.939**
3.500	**Belgium** 2	**1.061**	**37.4**	29.5	17.8	**149.2**	**1.037**	1.115	**2.610**
4.000	10	**3.594**	**38.7**	31.5	27.9	**101.7**	**3.583**	3.730	**4.007**
1.250	**Canada** 2	**1.118**	**43.1**	37.6	37.3	**60.0**	**1.118**	1.310	**1.718**
3.750	10	**3.227**	**2.0**	-5.3	2.8	**36.2**	**3.215**	3.479	**3.352**
4.000	**Denmark** 2	**2.132**	**144.5**	140.9	141.0	**262.1**	**2.151**	2.347	**3.739**
4.000	10	**3.577**	**37.0**	28.0	19.6	**91.5**	**3.548**	3.647	**3.905**
1.500	**France** 2	**1.217**	**53.0**	44.9	42.6	**144.6**	**1.191**	1.363	**2.564**
3.750	10	**3.425**	**21.8**	16.7	12.1	**73.1**	**3.435**	3.572	**3.721**
1.250	**Germany** 2	**1.287**	**60.0**	52.7	37.7	**108.7**	**1.269**	1.314	**2.205**
3.250	10	**3.149**	**-5.8**	-10.6	-15.7	**29.5**	**3.162**	3.294	**3.285**
0.550	**Hong Kong** 2	**0.491**	**-19.6**	-20.9	-41.3	**-24.3**	**0.533**	0.524	**0.875**
2.640	10	**2.267**	**-94.0**	-96.4	-109.7	**-128.0**	**2.304**	2.354	**1.710**
3.750	**Italy** 2	**1.562**	**87.5**	85.1	60.3	**207.0**	**1.593**	1.540	**3.188**
4.250	10	**4.014**	**80.7**	78.5	51.3	**147.2**	**4.053**	3.964	**4.462**
0.300	**Japan** 2	**0.235**	**-45.2**	-50.2	-65.2	**-52.3**	**0.240**	0.285	**0.595**
1.300	10	**1.250**	**-195.7**	-198.3	-204.6	**-160.0**	**1.285**	1.405	**1.390**
4.000	**Netherlands** 2	**0.896**	**20.9**	14.0	3.1	**119.3**	**0.882**	0.968	**2.311**
4.000	10	**3.414**	**20.7**	14.1	11.4	**70.7**	**3.409**	3.565	**3.697**
3.200	**Portugal** 2	**1.236**	**54.9**	51.9	30.2	**188.1**	**1.261**	1.239	**2.999**
4.750	10	**3.780**	**57.3**	50.8	39.8	**105.9**	**3.776**	3.849	**4.049**
5.350	**Spain** 2	**1.365**	**67.8**	60.2	52.0	**165.7**	**1.344**	1.457	**2.775**
4.300	10	**3.770**	**56.3**	49.3	37.8	**93.0**	**3.761**	3.829	**3.920**
4.000	**Switzerland** 2	**0.432**	**-25.5**	-30.4	-573.7	**13.4**	**0.438**	-4.800	**1.252**
3.000	10	**1.886**	**-132.1**	-137.6	-4195.1	**-79.9**	**1.892**	-38.500	**2.191**
3.250	**U.K.** 2	**1.208**	**52.1**	41.3	-10.6	**125.5**	**1.155**	0.831	**2.373**
4.500	10	**3.547**	**34.0**	26.9	16.2	**79.8**	**3.537**	3.613	**3.788**
0.750	**U.S.** 2	**0.687**	**...**	...	...	**...**	**0.742**	0.937	**1.118**
3.375	10	**3.207**	**...**	...	...	**...**	**3.268**	3.451	**2.990**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 2 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.205%**	16.78	0.98%	–1.75%	–20.40%	–6.93%
10-year Treasury	**3.202**	8.42	1.90	1.51	–4.74	1.64
7 Year Treasury	**2.701**	6.33	2.14	2.25	...	...
Five-year Treasury	**2.029**	4.72	1.73	2.13	2.10	4.99
Ryan Index	**2.326**	6.86	1.41	1.08	–3.36	2.09
3 Year Treasury	**1.133**	2.90	1.07	1.40	2.48	3.96
Two-year Treasury	**0.687**	1.98	0.59	0.89	2.03	2.94
1 Year Treasury	**0.244**	0.97	0.19	0.31	1.07	1.72
Six-month Treasury	**0.142**	0.50	0.04	0.07	0.64	0.95
Ryan Cash Index-a	**0.127**	0.45	0.06	0.11	0.55	0.79
Three-month bill	**0.061**	0.25	0.01	0.04	0.35	0.35
One-month bill	**0.061**	0.07	...	0.01	0.14	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	4.00%
Canada	**2.25**	4.00
Japan	**1.475**	1.675
Britain	**0.50**	3.00
ECB	**1.00**	3.25
Switzerland	**0.52**	2.03
Australia	**3.50**	5.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23531%**	1.90125%
Three month	**0.25563**	2.21688
Six month	**0.48438**	2.59125
One year	**1.01125**	2.76625

	Latest	52 wks ago
Euro Libor		
One month	**0.44125%**	3.56625%
Three month	**0.68000**	3.85125
Six month	**0.97875**	3.90125
One year	**1.22000**	3.95750
Hibor		
One month	**0.05893**	1.10071%
Three month	**0.10964**	1.95143
Six month	**0.27929**	2.25071
One year	**0.55857**	2.45071
Asian dollars		
One month	**0.2424%**	1.94%
Three month	**0.2666**	2.2260
Six month	**0.4804**	2.5880
One year	**1.0094**	2.7520

	Offer	Bid
Eurodollars		
One month	**0.2800%**	0.1800%
Three month	**0.3400**	0.2400
Six month	**0.4500**	0.3500
One year	**1.2500**	0.6500

	Latest	52 wks ago
U.S. discount	**0.50%**	1.25%
Fed-funds target	**0.25**	1.00
Call money	**2.00**	2.75
Overnight repurchase rates		
U.S.	**0.30%**	0.35%
U.K. (BBA)	**0.480**	2.628
Euro zone	**0.40**	2.87

Sources: WSJ Market Data Group; Reuters

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

	Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
	Corn (cents/bu.)*	CBOT	413.50	5.50	1.35%	712.25	315.50
	Soybeans (cents/bu.)*	CBOT	1053.00	-1.50	-0.14%	1,315.00	794.00
	Wheat (cents/bu.)*	CBOT	569.75	-1.75	-0.31	1,029.25	459.00
	Live cattle (cents/lb.)*	CME	85.475	-0.275	-0.32	108.600	84.150
	Cocoa ($/ton)*	ICE-US	3,272	-48	-1.45	3,439	1,994
	Coffee (cents/lb.)*	ICE-US	138.05	-0.85	-0.61	188.65	115.00
	Sugar (cents/lb.)*	ICE-US	22.77	0.45	2.02	26.25	11.91
	Cotton (cents/lb.)*	ICE-US	73.84	-1.38	-1.83	84.00	49.67
	Crude palm oil (ringgit/ton)	MDEX	2,482.00	unch.	unch.	2,521	2,013
	Cocoa (pounds/ton)	LIFFE	2,196	-5	-0.23	2,250	1,475
	Robusta coffee ($/ton)	LIFFE	1,332	1	0.08	1,955	1,295
	Copper (cents/lb.)	COMEX	312.55	-7.15	-2.24	365.00	135.50
	Gold ($/troy oz.)*	COMEX	1175.50	-13.10	-1.10	1,196.80	762.30
	Silver (cents/troy oz.)*	COMEX	1833.50	-46.50	-2.47	2,011.50	1,045.00
	Aluminum ($/ton)	LME	1,987.00	-47.00	-2.31	2,069.00	1,288.00
	Tin ($/ton)	LME	14,800.00	-190.00	-1.27	15,700.00	9,750.00
	Copper ($/ton)	LME	6,770.50	-159.50	-2.30	6,968.00	2,815.00
	Lead ($/ton)	LME	2,305.00	-65.00	-2.74	2,459.50	870.00
	Zinc ($/ton)	LME	2,225.00	-45.00	-1.98	2,344.00	1,065.00
	Nickel ($/ton)	LME	16,225	-575	-3.42	21,150	9,175
	Crude oil ($/bbl.)	NYMEX	76.05	-1.91	-2.45	139.00	47.31
	Heating oil ($/gal.)*	NYMEX	2.0096	-0.0261	-1.28	4.1847	1.3640
	RBOB gasoline ($/gal.)*	NYMEX	1.9548	-0.0665	-3.29	2.7100	1.1525
	Natural gas ($/mmBtu)*	NYMEX	5.192	0.029	0.56	12.920	4.560
	Brent crude ($/bbl.)	ICE-EU	77.18	0.19	0.25	108.19	48.19
	Gas oil ($/ton)	ICE-EU	617.00	-5.25	-0.84	790.00	443.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Nov. 27

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.7051	0.1753	3.8088	0.2626
Brazil real	2.6051	0.3839	1.7392	0.5750
Canada dollar	1.5889	0.6294	1.0608	0.9427
1-mo. forward	1.5889	0.6294	1.0608	0.9427
3-mos. forward	1.5889	0.6294	1.0608	0.9427
6-mos. forward	1.5893	0.6292	1.0610	0.9425
Chile peso	736.59	0.001358	491.75	0.002034
Colombia peso	2981.76	0.0003354	1990.63	0.0005024
Ecuador US dollar-f	1.4979	0.6676	1	1
Mexico peso-a	19.3386	0.0517	12.9105	0.0775
Peru sol	4.3162	0.2317	2.8815	0.3470
Uruguay peso-e	30.303	0.0330	20.230	0.0494
U.S. dollar	1.4979	0.6676	1	1
Venezuela bolivar	3.22	0.310903	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.6481	0.6067	1.1003	0.9089
China yuan	10.2283	0.0978	6.8285	0.1464
Hong Kong dollar	11.6089	0.0861	7.7501	0.1290
India rupee	69.7422	0.0143	46.5600	0.0215
Indonesia rupiah	14103	0.0000709	9415	0.0001062
Japan yen	129.92	0.007697	86.74	0.011529
1-mo. forward	129.89	0.007699	86.72	0.011532
3-mos. forward	129.85	0.007701	86.69	0.011535
6-mos. forward	129.75	0.007707	86.62	0.011544
Malaysia ringgit-c	5.0794	0.1969	3.3910	0.2949
New Zealand dollar	2.1112	0.4737	1.4094	0.7095
Pakistan rupee	125.150	0.0080	83.550	0.0120
Philippines peso	70.633	0.0142	47.155	0.0212
Singapore dollar	2.0785	0.4811	1.3876	0.7207
South Korea won	1760.63	0.0005680	1175.40	0.0008508
Taiwan dollar	48.431	0.02065	32.333	0.03093
Thailand baht	49.805	0.02008	33.250	0.03008

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6676	1.4979
1-mo. forward	1.0001	0.9999	0.6676	1.4978
3-mos. forward	1.0003	0.9997	0.6678	1.4974
6-mos. forward	1.0010	0.9990	0.6683	1.4964
Czech Rep. koruna-b	26.194	0.0382	17.487	0.0572
Denmark krone	7.4443	0.1343	4.9698	0.2012
Hungary forint	272.69	0.003667	182.05	0.005493
Norway krone	8.4914	0.1178	5.6689	0.1764
Poland zloty	4.1409	0.2415	2.7645	0.3617
Russia ruble-d	43.897	0.02278	29.306	0.03412
Sweden krona	10.4246	0.0959	6.9595	0.1437
Switzerland franc	1.5060	0.6640	1.0054	0.9946
1-mo. forward	1.5056	0.6642	1.0051	0.9949
3-mos. forward	1.5050	0.6644	1.0048	0.9953
6-mos. forward	1.5038	0.6650	1.0039	0.9961
Turkey lira	2.2832	0.4380	1.5243	0.6560
U.K. pound	0.9085	1.1007	0.6065	1.6488
1-mo. forward	0.9087	1.1005	0.6066	1.6484
3-mos. forward	0.9090	1.1001	0.6068	1.6479
6-mos. forward	0.9096	1.0994	0.6072	1.6468
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5647	1.7709	0.3770	2.6526
Egypt pound-a	8.1650	0.1225	5.4510	0.1835
Israel shekel	5.7122	0.1751	3.8135	0.2622
Jordan dinar	1.0601	0.9433	0.7078	1.4129
Kuwait dinar	0.4268	2.3429	0.2850	3.5094
Lebanon pound	2258.08	0.0004429	1507.50	0.0006634
Saudi Arabia riyal	5.6172	0.1780	3.7501	0.2667
South Africa rand	11.1182	0.0899	7.4225	0.1347
United Arab dirham	5.5022	0.1817	3.6733	0.2722
SDR -f	0.9301	1.0751	0.6209	1.6104

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
45	**ASIA-PACIFIC**	**DJ Asia-Pacific**	116.61	-3.54	-2.95%	24.6%	35.1%
...	Australia	**SPX/ASX 200**	4572.1	-136.6	-2.90	22.8	22.2
...	China	**CBN 600**	27495.69	-793.14	-2.80	86.2	87.1
21	Hong Kong	**Hang Seng**	21134.50	-1075.91	-4.84	46.9	52.2
19	India	**Sensex**	16632.01	-222.92	-1.32	72.4	82.9
15	Indonesia	**Jakarta Composite**	2393.519		Closed	76.6	92.8
...	Japan	**Nikkei Stock Average**	9081.52	-301.72	-3.22	2.5	6.7
...		**Topix**	811.01	-18.55	-2.24	-5.6	-2.9
...	Malaysia	**Kuala Lumpur Composite**	1270.61		Closed	44.9	46.7
16	New Zealand	**NZSX-50**	3094.437	-32.875	-1.05	13.9	14.1
8	Pakistan	**KSE 100**	9206.21		Closed	57.0	0.2
16	Philippines	**Manila Composite**	3044.97	-44.85	-1.45	62.6	54.4
...	Singapore	**Straits Times**	2762.22		Closed	56.8	59.4
11	South Korea	**Kospi**	1524.50	-75.02	-4.69	35.6	41.7
21	Taiwan	**Weighted**	7490.91	-248.25	-3.21	63.2	67.9
10	Thailand	**SET**	680.37	-5.36	-0.78	51.2	69.3
50	**EUROPE**	**DJ Stoxx 600**	242.60	2.75	1.15%	23.2	17.6
22		**DJ Stoxx 50**	2465.28	25.05	1.03	19.4	14.2
40	**Euro Zone**	**DJ Euro Stoxx**	263.48	3.00	1.15%	18.3%	18.5%
18		**DJ Euro Stoxx 50**	2831.14	31.70	1.13	15.5	16.5
18	Denmark	**OMX Copenhagen**	306.36	1.17	0.38	35.4	26.4
18	Finland	**OMX Helsinki**	6190.97	89.62	1.47	14.6	10.6
18	France	**CAC-40**	3721.45	42.22	1.15	15.6	14.1
21	Germany	**DAX**	5685.61	71.44	1.27	18.2	21.8
16	Italy	**FTSE MIB**	22205.28	282.83	1.29	14.1	11.1
...	Netherlands	**AEX**	309.52	2.80	0.91	25.9	22.6
...	Russia	**RTSI**	1370.47	3.62	0.26	116.9	108.2
11	Spain	**IBEX 35**	11776.8	119.3	1.02	28.1	32.2
14	Switzerland	**SMI**	6336.66	53.28	0.85	14.5	8.9
...	Turkey	**ISE National 100**	45350.17		Closed	68.8	76.4
12	U.K.	**FTSE 100**	5245.73	51.60	0.99	18.3	22.3
1	**AMERICAS**	**DJ Americas**	288.12	-4.11	-1.41%	27.4	29.0
...	Brazil	**Bovespa**	67082.15	690.35	1.04	78.6	83.3
...	Argentina	**Merval**	2188.58	31.59	1.46	102.7	120.2
19	Mexico	**IPC**	30775.45	327.62	1.08	37.5	49.9

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 5:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.23%	2	**DJ Global Index**	220.75	-2.31	-2.31%	33.3%	-1.0%	-6.2%
1.94	20	**Global DOW**	1926.70	-19.98	-19.98	31.4	-1.0	-2.1
2.59		**Asia/Pacific 600**	109.30	-3.00	-3.00	23.1	-2.7	-7.6
1.83	0	**Emerging Markets**	265.53	-4.74	-4.74	83.0	-1.8	3.3
2.34	45	**Asia/Pacific**	116.61	-3.54	-3.54	35.1	-3.0	-5.7
2.58	17	**Asia/Pacific ex-Japan**	296.73	-10.20	-10.20	74.7	-3.3	0.1
2.78	24	**Southeast Asia**	150.35	-2.96	-2.96	76.8	-1.9	1.8
0.87	32	**CBN China 600** -c	27495.69	-793.14	-793.14	87.1	-2.8	28.4
0.90	35	**Shanghai**	366.35	-10.18	-10.18	87.1	-2.7	28.0
0.61	54	**Shenzhen**	392.82	-12.28	-12.28	110.7	-3.0	34.3
2.24	20	**China Offshore 50**	3979.51	-193.38	-193.38	62.7	-4.6	10.9
9.42	9	**Australia LPT** -c, d	1094.93	-21.32	-21.32	-10.6	-1.9	-22.0

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.19%	14	**Islamic Market**	1917.27	-21.76	-21.76%	34.1%	-1.1%	-1.8%
2.50	15	**Islamic Market 100**	2084.25	-22.10	-22.10	22.6	-1.1	-2.3
9.81	20	**Bahrain**	119.86	-0.41	-0.41	-26.3	-0.3	-13.1
2.84	31	**Kuwait**	196.14	1.68	1.68	-23.7	0.9	-15.1
2.67	19	**Sustainability**	998.02	-2.69	-2.69	34.3	-0.3	-6.6
2.81	50	**Stoxx 600**	271.37	2.91	2.91	38.8	1.1	-7.6
4.95	13	**Stoxx Select Div 30**	1796.15	21.95	21.95	35.1	1.2	-19.4
4.20	16	**Euro Stoxx Sel Div 30**	2145.42	26.07	26.07	43.9	1.2	-14.9
1.80	29	**DJ U.S. TSM**	11153.11	-203.80	-203.80	24.7	-1.8	-7.1
4.12	15	**U.S. Select Dividend -d**	626.87	-11.58	-11.58	5.3	-1.8	-10.1
4.90		**U.S. REIT**	132.46	-3.81	-3.81	24.9	-2.8	-20.6
		DJ-UBS Commodity -p	135.32	-1.92	-1.92	10.2	-1.4	-7.7

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.100	0.607	1.061	6.828	0.668	7.750	46.560	9415.31	86.735	1.409	1175.39	3.391	47.155	1.388	1.005	32.333	33.250
Australia	0.909		0.551	0.964	6.206	0.607	7.044	42.316	8557.10	78.829	1.281	1068.26	3.082	42.857	1.261	0.914	29.385	30.219
Britain	1.649	1.814		1.749	11.258	1.101	12.778	76.766	15523.49	143.004	2.324	1937.93	5.591	77.747	2.288	1.658	53.308	54.821
Canada	0.943	1.037	0.572		6.437	0.629	7.306	43.893	8876.09	81.768	1.329	1108.08	3.197	44.454	1.308	0.948	30.481	31.346
China	0.1464	0.161	0.089	0.155		0.098	1.135	6.819	1378.84	12.702	0.206	172.13	0.497	6.906	0.203	0.147	4.735	4.869
Euro	1.498	1.648	0.909	1.589	10.228		11.609	69.742	14103.19	129.920	2.111	1760.62	5.079	70.633	2.078	1.506	48.431	49.805
Hong Kong	0.129	0.142	0.078	0.137	0.881	0.086		6.008	1214.86	11.191	0.182	151.66	0.438	6.084	0.179	0.130	4.172	4.290
India	0.0215	0.0236	0.0130	0.0228	0.1467	0.0143	0.1665		202.22	1.8629	0.0303	25.24	0.0728	1.0128	0.0298	0.0216	0.6944	0.7141
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0092	0.0001	0.12	0.0004	0.0050	0.0001	0.0001	0.0034	0.0035
Japan	0.012	0.013	0.007	0.012	0.079	0.008	0.089	0.537	108.55		0.016	13.55	0.039	0.544	0.016	0.012	0.373	0.383
New Zealand	0.710	0.781	0.430	0.753	4.845	0.474	5.499	33.034	6680.16	61.538		833.94	2.406	33.456	0.985	0.713	22.940	23.591
South Korea	0.0009	0.0009	0.0005	0.0009	0.0058	0.0006	0.0066	0.0396	8.01	0.0738	0.0012		0.0029	0.0401	0.0012	0.0009	0.0275	0.0283
Malaysia	0.295	0.324	0.179	0.313	2.014	0.197	2.285	13.730	2776.56	25.578	0.416	346.62		13.906	0.409	0.296	9.535	9.805
Philippines	0.021	0.023	0.013	0.022	0.145	0.014	0.164	0.987	199.67	1.839	0.030	24.93	0.072		0.029	0.021	0.686	0.705
Singapore	0.721	0.793	0.437	0.764	4.921	0.481	5.585	33.554	6785.32	62.507	1.016	847.07	2.444	33.983		0.725	23.301	23.962
Switzerland	0.995	1.094	0.603	1.055	6.792	0.664	7.708	46.310	9364.74	86.269	1.402	1169.08	3.373	46.902	1.380		32.159	33.071
Taiwan	0.031	0.034	0.019	0.033	0.211	0.021	0.240	1.440	291.20	2.683	0.044	36.35	0.105	1.458	0.043	0.031		1.028
Thailand	0.030	0.033	0.018	0.032	0.205	0.020	0.233	1.400	283.17	2.609	0.042	35.35	0.102	1.418	0.042	0.030	0.972	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of November. 27, 2009

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.50%	23	**ALL COUNTRY (AC) WORLD***	295.17	-1.45%	**29.6%**	25.0%
2.60	24	**World (Developed Markets)**	1,154.87	-1.35	**25.5**	20.6
1.90	1638	**World Small Cap**	183.86	-1.00	**37.0**	32.5
2.70	20	**Kokusai (World ex-Japan)**	1,147.55	-1.57	**28.6**	22.0
3.10	25	**EAFE**	1,555.46	-2.60	**25.7**	25.6
2.30	19	**Emerging Markets (EM)**	957.98	-2.11	**68.9**	67.9
2.70	24	**AC ASIA PACIFIC EX-JAPAN**	406.28	-1.46	**64.3**	66.7
2.20	25	**AC Far East ex-Japan**	438.75	-1.13	**60.9**	67.0
1.30	40	**Japan**	516.32	-0.52	**-2.6**	-4.2
2.10	20	**China**	65.34	-1.51	**60.2**	84.6
0.90	37	**China A (China Domestic)**	3,308.10	-3.92	**90.7**	111.2
2.60	23	**Hong Kong**	10,067.66	-0.97	**53.6**	57.3
1.00	19	**India**	680.77	-1.92	**84.4**	77.9
0.90	24	**Korea**	455.93	-0.84	**48.5**	44.2
2.60	21	**Malaysia**	470.05	-0.24	**46.3**	48.5
3.30	16	**Singapore**	1,544.80	-1.33	**55.0**	54.8
2.70	377	**Taiwan**	280.47	-0.23	**61.8**	50.7
3.10	19	**Thailand**	278.99	-1.79	**50.7**	63.1
4.10	22	**Australia**	967.74	-0.35	**26.5**	16.7
5.10	17	**New Zealand**	84.58	-0.29	**11.4**	7.8
1.90	32	**US BROAD MARKET**	1,222.10	0.00	**24.4**	16.0
3.50	17	**EUROPE**	83.41	-3.29	**20.1**	6.9

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

Photo: Katie Orlinsky for The Wall Street Journal

'I'm comfortable in my own skin,' says Peter Cohen, former CEO of Shearson during the 'Barbarians at the Gate' era.

Peter Cohen is back, but on smaller stage

Shearson chief in the 1980s returns to top role at a Wall Street Securities firm; a bid to push Cowen up the ladder

By Randall Smith

Now that he is back in charge of a Wall Street securities firm, Peter A. Cohen isn't wasting time.

The 63-year-old Mr. Cohen is best known as the cigar-smoking chief executive of Shearson Lehman Hutton Inc. who was bounced in 1990 after being outfoxed for RJR Nabisco Inc. This month, he took over as chairman and chief executive of **Cowen Group** Inc., one of many small firms trying to muscle their way up the Wall Street ladder.

The formula isn't so different than when Mr. Cohen was the youngest CEO on Wall Street, turning a retail-brokerage firm into a deal-making machine.

Cowen is hiring investment bankers and research analysts to zero in on companies marooned by last year's meltdown of firms like Bear Stearns Cos. and Lehman Brothers Holdings Inc. And it is trying to lure talent from firms handcuffed by new government pay curbs, including a commodities trader who ran a $5 billion group of funds.

"I think my age thing is actually an advantage," Mr. Cohen says. "I'm comfortable in my own skin."

Mr. Cohen didn't exactly return in triumph. He moved into the top job at Cowen, born as a bond-brokerage firm in 1918, as part of the New York company's $300 million acquisition of **Ramius** LLC, a hedge-fund manager founded by Mr. Cohen in 1994. Ramius had $7.4 billion in assets at mid-year, down from $12.9 billion in 2007. Lehman's bankruptcy-law filing froze $232.6 million in Ramius funds parked at Lehman's office in London.

He says he looked for a merger partner as a way to get "permanent capital" for Ramius, which was facing a market downturn that triggered the closure of several of its smaller funds and the threat of steep staff cuts.

Joining forces with Cowen, which has a stock-market value of just $359 million, "took some of the volatility out of his business," such as jittery investors prodding Mr. Cohen to "cash me out of your fund," says Richard LeFrak, a friend of Mr. Cohen who is chairman and CEO of **LeFrak Organization**, a real-estate builder and developer.

Longtime colleagues of Mr. Cohen say he also saw the deal as a second chance. "When Peter left Wall Street, he was radioactive," says Jack H. Nusbaum, chairman of law firm Willkie Farr & Gallagher LLP. Anyone who lost such a high-profile perch would "want redemption in some way."

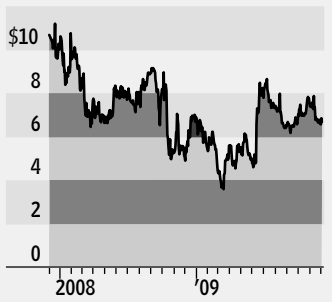
The idea of redemption "absolutely did not enter the equation," Mr. Cohen maintains. "Over the last 20 years, I've had a lot of fun, developed a lot of new relationships. You can't compare Cowen with Shearson Lehman Brothers."

Cowen specializes in technology and health care, and was acquired by **Société Générale** SA in 1999, near the height of the tech-stock bubble. Cowen returned to public ownership in 2006, but its shares nose-dived by more than 80% in the market's tumble.

DAILY SHARE PRICE

Cowen Group (COWND)

Friday's close: **$6.37, down 4.5%**



Source: WSJ Market Data Group

The company hasn't turned a profit since 2006, posting a net loss of $11 million in the first half of 2009 on revenue of $93.5 million. Ramius had net losses of $141.8 million in 2008 and $26 million in the six months ended June 30, according to securities filings.

The son of a children's clothing executive from Rockville Centre, a village on New York's Long Island, Mr. Cohen was a protege of Sanford I. Weill as Mr. Weill built Shearson before it was sold to **American Express** Co. After taking over when he was 36, Mr. Cohen made the firm a rival to Merrill Lynch & Co. as the biggest U.S. brokerage house.

But the relentless Mr. Cohen was blamed for Shearson's failure to complete the leveraged buyout of RJR and Shearson's messy acquisition of E.F. Hutton. He was just 43 years old when he was exiled from Wall Street.

In 1992, Mr. Cohen built a securities business catering to hedge funds at **Republic New York** Corp. He left two years later when Republic's controlling shareholder got nervous about the risks of lending to hedge funds and Republic withdrew a hostile takeover bid for a local savings-and-loan institution.

Ramius is named for the captain who hijacks a Russian sub in the Tom Clancy novel "The Hunt for Red October." (The name means "good captain.") Colleagues of Mr. Cohen say he deliberately tried to stay off the radar screen.

For example, Ramius has an activist fund that challenges managements, but he has avoided involvement in those battles. Until 2008, the New York firm racked up steady, lower-risk returns in structured debt, real estate, convertible securities and what are known as "funds of hedge funds."

Terms of the deal, completed Nov. 2, put 71% of the combined company's shares in the hands of Ramius. "In many respects, I feel this is a little bit of back to the future," Mr. Cohen said when the deal was announced in June.

Still, in conversations with Cowen executives as they worked through the merger plans, he told them he wasn't the same person portrayed in book "Barbarians at the Gate," the account of the RJR battle. Mr. Cohen's role at Shearson often required him to be a hard-nosed cost-cutter, he told them, even though that hammered morale.

Mr. Cohen now is in growth mode, bringing in more investment bankers focused on financial institutions and a new real-estate-investment-trust research team.

Despite not having a high-yield bond department, Cowen was part of a junk-bond issuance for **Scientific Games** Corp., where the CEO just joined Cowen's board. Mr. Cohen also wants to expand Cowen's niche in health-care royalties, backed by future sales of specific drugs.

Acquisitions also are possible, especially once Cowen completes a $100 million stock sale announced Wednesday.

Mr. Cohen says he is interested narrowly in businesses with assets that need to be managed. "We're only going to do what we think we can be good at doing. We're not going to build just for the sake of building," he says.

Mr. Cohen may have mellowed with age, but he still is the same financial-markets junkie that helped make his name on the way to the top of Shearson. Mr. LeFrak chats with Mr. Cohen by phone several nights a week.

After they hang up, Mr. LeFrak says, his friend "is probably watching CNBC Asia to find out how the ringgit is selling."

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Shock over Dubai woes is overdone

Markets may be overreacting to **Dubai World**'s debt standstill. European and Asian stock and bond markets have fallen while safe-haven currencies are up. That is hardly surprising. The Dubai government sprang this news on the eve of a four-day holiday. For Dubai to now claim it had anticipated the market reaction to its "sensible business decision" is preposterous. Dubai stands accused of irresponsibility, incompetence and bad faith. Few will trust it now.

Even so, there is a good chance that Dubai's problems will prove a local issue. The sums involved are small in the global scheme of things. The emirate's total debt outstanding is reckoned to be $80 billion, huge in the context of Dubai's $75 billion GDP, but not enough on its own to threaten the financial system since any actual losses would be a fraction of the total. The only Western bank whose exposure looks material relative to its overall loan book is Standard Chartered, but it has a robust capital position to absorb losses. And while oil-rich neighbor Abu Dhabi has refused to support Dubai World, there's no evidence that Abu Dhabi will pull the plug on Dubai entirely.

Of course, it is possible Dubai's woes could trigger a new global credit crunch if enough investors flee to safe havens, draining liquidity from other vulnerable markets. It doesn't help that this shock was delivered so close to the end of an unexpectedly strong year in the credit markets, when many investors are looking to lock in profits. If anything, this may bring forward the usual seasonal slowdown in the markets. At this stage, however, the risk of contagion is small. Most at risk would be neighboring Middle Eastern markets where there has been no shortage of similarly reckless spending. Dubai's neighbors are also among its biggest creditors. But unlike Dubai, the other Gulf states have oil wealth, making it unlikely they will lose access to funding.

But so long as central banks continue to pump extraordinary liquidity into the system, the markets should be able to accommodate local shocks. With interest rates low and signs of recovery around the world, that liquidity will continue to find its way into risky assets. The real risk will come in 2010, as the liquidity starts to be withdrawn and the full-scale of government deficit problems become apparent. At that point, risk premia may start to rise, leading to higher interest rates and the dreaded "double dip", forcing a new wave of losses. Dubai has provided a necessary wake-up call to frothy markets currently pricing in a robust recovery. But the greater systemic risks are likely to lie elsewhere.

—Simon Nixon

Reuters

Safe-haven currencies rose after news of the debt standstill. Here, foreign-exchange rates in a shopping mall in Dubai.

Overheard

Not everyone is complaining about the yen's strength. South Korea's tourism authorities this past week logged their seven-millionth visitor this year, a record-high and a 14% increase over previous years. Who are all the visitors? Nearly 40% are Japanese, and many of those are shoppers, taking

Japanese shoppers are hurrying to Seoul to visit department stores and the sites of their favorite Korean soap operas.

flights across the Sea of Japan to strip Korea's department stores of their wares and visit the locales of their favorite Korean soap operas. Think of it as the Seoul train for the current millennium.

* * *

Shoppers not buying Fifth Avenue's finery? Let them eat cake. Checkout counters at the **Saks** flagship store were piled with candy and cake marked down 50% on Black Friday. Plenty of fashion items also were also on sale, but without matching year's drastic 70% reductions, we overhear that many shoppers instead chose something they could sink their teeth into.

Climbdown by Fujii as yen hits exporters

Flummoxed by forex. That's how Japan's new finance minister must feel.

The yen is at a 14-year high against the dollar, causing shares of exporters like Sony and Honda Motor to drop and stoking fears of imported deflation. It also is testing the tolerance of Japan's Finance Minister Hirohisa Fujii.

Just two months ago, Mr. Fujii said he was reluctant to intervene in foreign exchange markets. Friday, he changed his tune somewhat, lamenting the "one-sided" yen appreciation. It was his strongest jawboning yet, but this is still far from actual intervention. On balance, the argument remains against that final step.

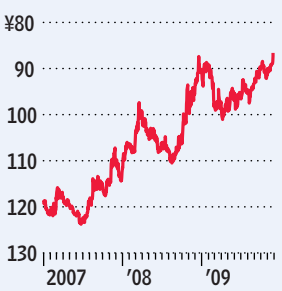
For starters, Japanese authorities pay close attention to volatility in the currency market. Despite the recent moves, the currency options market continues to signal only modest turbulence for the dollar-yen exchange rate ahead, with implied volatility still near half the level it reached as the yen spiked after the Lehman Brothers collapse. The government didn't intervene then.

Second, because Japan has been without meaningful inflation since 1995—the last time the dollar-yen exchange rate was at current levels—its exporters are better able to tolerate a stronger currency. It currently takes about 86 yen to buy a dollar. Until it takes only 55 yen, the impact of the strong currency won't be the same as was 14 years ago, Macquarie Research says.

Japan also can't sway currency markets on its own. It will need the help of Western governments, particularly Washington, to do that. With the U.S. focused on letting a weak greenback bolster exports, that seems unlikely.

Flummoxed by forex

Spot rate of yen against the U.S. dollar*



* Scale is inverted to show strengthening of yen
Source: WSJ Market Data Group

No doubt, with headlines about a strong yen and its impact on exports, the government may feel some domestic pressure, with an election next summer. The risk in not following through on tough talk is that Mr. Fujii's words will start to sound hollow.

Jawboning seemed to work a bit Friday as the yen retreated from its high. That's good for Mr. Fujii, because for now, strong words might be all he has.

—James Simms

Beijing helps milk shares float

'Guojin mintui' is a buzz phrase in China right now. It describes the state's advance at the expense of the private sector in several industries this year.

Those pushing for China to open up further consider this to be a backward step. But such moves haven't always been such bad news for investors.

Consider the dairy industry. Scandal hit China's dairy companies last year when milk sold to consumers was found to contain the poisonous substance melamine. Given the public health threat that created, it isn't surprising that the Chinese authorities have sought to increase regulation of an industry that's grown quickly over the last 20 years.

Alongside this has come increased investment in the sector by government-linked entities, most notably the state-owned China National Cereals, Oils & Foodstuffs Import & Export Corp, known as Cofco. It purchased a 20% stake in China Mengniu this summer, making it the biggest shareholder in China's largest milk company by sales. One of its executives became Mengniu's new chairman.

Local governments, too, have been setting up dairy cooperatives designed to consolidate upstream milk production. The melamine crisis was thought to have originated from small-scale farmers looking to juice up their milk, so cooperatives are seen as a way of better controlling milking procedures.

But private investors haven't been shut out, especially when their investments are aligned with government objectives. **Kohlberg Kravis & Roberts** in June invested $150 million in Ma Anshan Modern Farming, a company that is active in the consolidation of milk production and better safety standards. In September, buyout group Carlyle Group took a 17.3% stake in Yashili Group, a baby-formula manufacturer. Even Cofco's Mengniu investment came with support from Hopu Investment Management, another private-equity firm.

And the state's presence hasn't been harmful for other investors in China's dairy industry. The confidence shown in Mengniu by Cofco, for example, has helped provide reassurance to investors that the fortunes of China's milk industry are improving again. A sense that the industry's being better regulated as state involvement increases has also helped.

Sales of milk have recovered strongly, and so have share prices in the major dairy stocks. Mengniu's stock is almost back to pre-crisis levels, having more than tripled in value since last August,.

Knocking the reassertionof state control in China is easy. But some investors are finding it can pay to put their ideology aside.

—Andrew Peaple

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Friday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 9081.52
▼ **3.22% or 301.72**

Fears over the fallout from Dubai's debt crunch led to the biggest one-day decline since March 30. The index lost 4.4% over the week.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**184.33**	148	–6	–3.90
NEC	**147.95**	210	unch.	...
Mtshbsh Fin Grp	**75.37**	444	–10	–2.20
Nomura Hldgs	**50.71**	592	–8	–1.33
Toshiba	**48.92**	429	–18	–4.03

Hang Seng
Hong Kong 21134.50
▼ **4.84% or 1,075.91**

This benchmark had its worst day since Dec. 12 and, with a loss for the week of 5.9%, its worst weekly showing since early March. It is at its lowest close since Oct. 6.

Stock	Volume in millions	Close	Change Net	Change %
Bank Of China	**1088.52**	4.13	–0.22	–5.06
Icbc	**819.17**	6.26	–0.35	–5.30
CCB	**742.60**	6.56	–0.33	–4.79
ChinaPetroChem	**257.65**	6.35	–0.26	–3.93
PetroChina	**217.92**	9.38	–0.49	–4.96

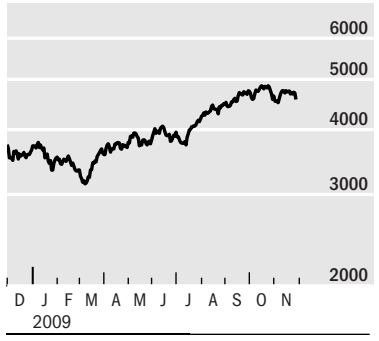
Kospi
South Korea 1524.50
▼ **4.69% or 75.02**

Fears about how Dubai's debt woes could affect Korean construction companies helped drive this market to its biggest one-day percentage decline since January.

Stock	Volume in millions	Close	Change Net	Change %
Dongyang Steel	**40.90**	1,335	45	3.49
Kedcom	**22.50**	75	–10	–11.76
Woori Finance	**11.20**	13,300	–1,750	–11.63
Eugene Invt	**10.39**	910	–80	–8.08
Hynix Semi	**7.67**	18,450	–750	–3.91

ASX 200
Australia 4572.07
▼ **2.90% or 136.58**

Friday's loss pushed November's performance into the red. With one trading day remaining, the index is down 1.5%. Like elsewhere in the region, financial stocks slumped.



Stock	Volume in millions	Close	Change Net	Change %
Boart Longyear	**102.60**	0.31	–0.02	–4.69
Telstra	**74.73**	3.39	–0.02	–0.59
Elders Limited	**61.98**	0.15	–0.01	–6.45
Lihir Gold	**40.79**	3.57	–0.10	–2.72
GPT Group	**34.82**	0.58	–0.01	–1.69

Asian stocks in the news

Toyoda Gosei
Japan ¥2,280
▲ **1.6% or ¥35**

Friday's gain in the Toyota subsidiary wiped out Thursday's loss.

	Price-to-earnings ratio			**198**
	Earnings per share, past four quarters			**11.50**
	Dividend yield			**1.1**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts		**-3.2%**	-1.9%	44.4%
Toyoda Gosei		**1.6%**	1.6%	89.8%

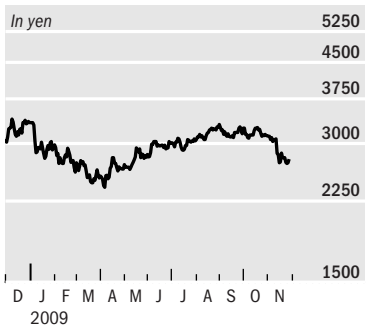
Shimamura
Japan ¥7,910
▲ **1.7% or ¥130**

Retailers that sell imports are seen benefiting from a stronger yen, which lowers their cost.

	Price-to-earnings ratio			**14**
	Earnings per share, past four quarters			**549.90**
	Dividend yield			**1.5**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail		**-2.3%**	-0.9%	30.7%
Shimamura		**1.7%**	-5.3%	8.5%

Tsumura
Japan ¥2,775
▲ **1.8% or ¥50**

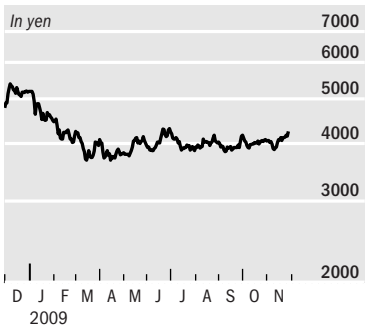
Shares have clawed back almost all of their losses from the first part of the week.



	Price-to-earnings ratio			**17**
	Earnings per share, past four quarters			**163.90**
	Dividend yield			**1.7**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Health Care		**-1.7%**	-0.3%	9.8%
Tsumura		**1.8%**	-0.7%	-9.3%

Lawson
Japan ¥4,250
▲ **2.4% or ¥100**

This is the stock's highest close since June 29.



	Price-to-earnings ratio			**17**
	Earnings per share, past four quarters			**256.00**
	Dividend yield			**3.8**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail		**-2.3%**	-0.9%	30.7%
Lawson		**2.4%**	3.2%	-11.1%

VTECH Hldgs
Hong Kong HK$71.80
▲ **4.4% or HK$3.00**

The stock hit a five-session winning streak and has jumped 14% in that time.

	Price-to-earnings ratio			**16**
	Earnings per share, past four quarters			**4.53**
	Dividend yield			**6.2**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology		**-3.6%**	-3.2%	61.1%
VTECH Hldgs		**4.4%**	14.1%	208.2%

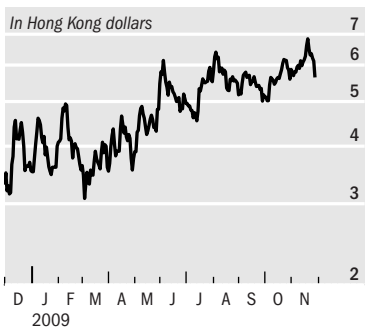
Sumitomo Metal Mining
Japan ¥1,378
▼ **6.3% or ¥92**

Resource stocks fell as the general pullback from risk sent commodity prices lower.

	Price-to-earnings ratio			**21**
	Earnings per share, past four quarters			**67.10**
	Dividend yield			**1.0**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources		**-4.0%**	-1.8%	71.4%
Sumitomo Metal Mining		**-6.3%**	-3.6%	51.8%

Pacific Basin Shipping
Hong Kong HK$5.64
▼ **7.8% or HK$0.48**

This stock has skidded 18% from Nov. 19 with barely a bounce. The Baltic Dry index is falling too.



	Price-to-earnings ratio			**9**
	Earnings per share, past four quarters			**0.64**
	Dividend yield			**1.4**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs		**-3.6%**	-2.4%	41.2%
Pacific Basin Shipping		**-7.8%**	-13.2%	70.9%

Chaoda Modern Agriculture
Hong Kong HK$6.40
▼ **8.6% or HK$0.60**

This was the lowest close for the shares since Nov. 11.

	Price-to-earnings ratio			**4**
	Earnings per share, past four quarters			**1.76**
	Dividend yield			**0.8**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Food & Beverage		**-1.6%**	-0.3%	35.8%
Chaoda Modern Agriculture		**-8.6%**	-8.6%	48.2%

Obayashi
Japan ¥284
▼ **8.7% or ¥27**

A brokerage cut its rating partly on the prospect of losses on a project the firm has in Dubai.

	Price-to-earnings ratio			**28**
	Earnings per share, past four quarters			**10.30**
	Dividend yield			**2.8**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Constructn & Matl		**-4.0%**	-4.7%	35.1%
Obayashi		**-8.7%**	-12.1%	-47.8%

Kajima
Japan ¥162
▼ **14.3% or ¥27**

Construction firms were hit by fears of lost business--or losses--because of the Dubai debt woes.

	Price-to-earnings ratio			**11**
	Earnings per share, past four quarters			**14.20**
	Dividend yield			**3.7**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Constructn & Matl		**-4.0%**	-4.7%	35.1%
Kajima		**-14.3%**	-15.6%	-41.5%

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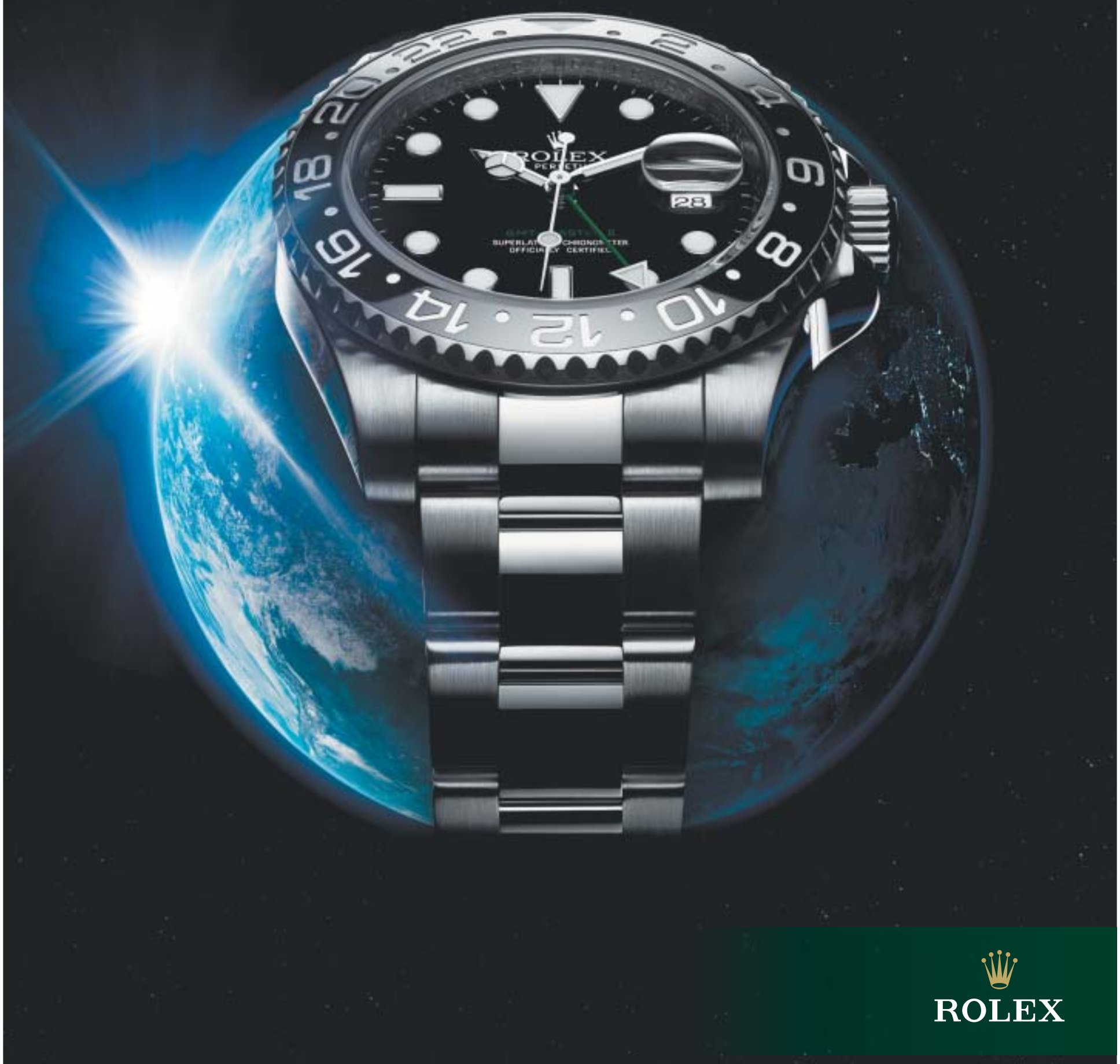

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